AN APPRAISAL OF

AN IMPROVED COMMERCIAL USE PROPERTY

“SCOTTSDALE JUSTICE OF THE PEACE COURT BUILDING”

LOCATED AT

8230 EAST BUTHERUS DRIVE

SCOTTSDALE, ARIZONA 85260

CONFIDENTIAL
FOR STATE OF AZ – SPIRIT PROCESS
REVIEW ONLY
RETURN TO APPRAISER AFTER REVIEW

PREPARED FOR

MARICOPA COUNTY

DEPARTMENT OF FINANCE

301 WEST JEFFERSON STREET, SUITE 960

PHOENIX, ARIZONA 85003

PREPARED BY

NAGY PROPERTY CONSULTANTS, INC.

2415 EAST CAMELBACK ROAD, SUITE 700

PHOENIX, ARIZONA 85016

5798AO03

Nagy Property Consultants, Inc.
Real Estate Appraisal • Investment Analysis

November 28, 2003

Mr. Tony Chavez, Property Management Specialist
Maricopa County
Department of Finance
301 West Jefferson Street, Suite 960
Phoenix, Arizona 85003

Re: Improved Commercial Property
"Scottsdale Justice of the Peace Court Building"
8230 East Butherus Drive
Scottsdale, 85260

Dear Mr. Chavez:

At your request and authorization, we have conducted an appraisal analysis of the above referenced property, prepared in a complete, self-contained report format, for the **exclusive purpose** of rendering an opinion of the **Market Value** of the **Fee Simple Estate**. The date of valuation is **November 14, 2003.** The intended user is Maricopa County, as the client, and the intended use is to assist in internal planning.

The attached report, of which this letter is a part, is to be read in its entirety. It contains information relevant to the general location of the subject property, a description of the property, market trend information, a highest and best use analysis, comparison market data, etc., used as the basis of estimating market value of the property. Based on my analysis, it is our considered opinion that the estimated value of the property was:

TWO MILLION ONE HUNDRED EIGHTY FIVE THOUSAND DOLLARS
($2,185,000)

This appraisal was completed based on the appraiser's understanding of guidelines established by the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP), adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraiser is not aware of environmental problems related to the property, however, the firm is not qualified to detect the presence of hazardous or environmentally objectionable substances in the property, which may influence marketability and value.

2415 EAST CAMELBACK ROAD, SUITE 700 • PHOENIX, ARIZONA 85016-4245 • (602) 995-1900 • FAX (602) 995-8216

The above value estimate is subject to the Limiting and Contingent Conditions contained herein, and to any special considerations or assumptions contained in the report, such as those listed on page 16. Use of this report by the client or any other party, for any purpose, constitutes acceptance of the Limiting and Contingent Conditions, and further, terms relating to the authorization of the assignment between the appraiser and the client. I was assisted in the preparation of this report by Howard Marshall.

Cordially,

Steven E. Nagy, MAI
Arizona Certified General Appraiser 30136

CONTENTS

LIMITING AND CONTINGENT CONDITIONS

This appraisal report is subject to the following Limiting and Contingent Conditions:

1. The title is assumed to be held in fee simple, and is good and merchantable. All mortgages, liens, encumbrances, restrictions and servitude have been disregarded unless so specified within the report. No separate consideration has been given to a division of fractional interest, partial interests, or interests of tenants in possession and mortgage holders, excepting as specifically otherwise noted. The property is appraised as though under responsible ownership and competent management, and available for its highest and best use.

2. The appraiser carries no responsibility for legal matters connected with the subject property. The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements are made a reasonable time in advance for such additional employment.

3. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.

4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser. The appraiser reserves the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.

5. The appraisers assume no responsibility for economic or physical factors which may affect the opinions herein stated occurring at some date after the date of valuation.

6. Maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purposes, nor should they be removed from, reproduced, or used apart from this report.

7. That no opinion is expressed as to the value of subsurface oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials except as is expressly stated.

8. That no opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by a real estate appraiser.

9. That no detailed soil report covering the subject property was available to the appraisers. Therefore, premises as to soil qualities employed in this report are not conclusive. It is assumed that structures can be supported without major soil preparation cost or unusual foundation costs except to the extent considered in cost estimates in this report.

10. Disclosure and discussion regarding property zoning are limited to information available in currently published and readily available zoning maps and zoning ordinances.

11. It is assumed that all required licenses, permits, zoning, clearances, use clearances, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.

12. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.

13. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without written consent of the appraiser.

14. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

15. If the property has improvements in place, it was assumed to be improved as described herein, in accordance with properly executed plans and specifications. The physical condition of any existing improvements described herein, are based on limited visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the conditions of mechanical equipment, plumbing or electrical components since complete tests were not conducted.

16. No consideration has been given in this appraisal as to the value of any personal property located on the premises, or the cost of moving or relocating such personal property; only the real estate has been considered for valuation.

17. That no warranties are made by virtue of this appraisal as to health and safety problems which may exist or which future evidence may show exists as a result of use of potentially hazardous or substandard material used in the construction or maintenance of the building, except as noted otherwise. The appraiser is not qualified to detect such substances as formaldehyde foam insulation, toxic waste, and/or the existence of asbestos materials which may be present on the property, or adjacent properties. Furthermore, the appraiser is not qualified to conduct a soil or material analysis to detect the possible presence of environmental contaminants at, below, or above the land surface of the site, or from external sources. Known existence of these substances or contaminants may adversely influence property value, and create liability for past, present and future owners and/or tenants. The appraiser accepts no responsibility for these items, or their ramifications on liability, marketability or value. Should the client or any other interested party have concern over the existence of such substances he is urged to retain the services of a qualified, independent engineer or contractor to determine the extent of the condition, and the cost of any required or desired treatment or removal. The

cost must be borne by the client or owner of the property, but has not been considered in the valuation contained herein.

18. It is assumed that the utilization of the land and any improvements is within the boundaries of property lines of the property described and that there is no encroachment or trespass unless noted within the report.

19. If improvements are addressed in this report, the distribution of the total valuation between land and improvements applies only under the reported highest and best use of the property. The allocation of value between land and improvements applies only under the program of property utilization presented, and is invalidated if the appraisal is used for any other purpose or function.

20. The appraiser cannot predict or evaluate potential effects of future wage or price control actions of the government upon rental income or financing of the subject property. It is assumed that no controls will apply which would impact the ability of the property to achieve market revenue, or nullify contractual agreements.

21. Virtually all land in Arizona is affected by pending or potential litigation by various Indian tribes claiming superior water rights for their reservations. The amounts claimed and the effects on other water users are largely undetermined, but the claims could result in some curtailment of water usage or ground water pumping on private land.

22. <u>Statement of Policy.</u> The following statements represent official policy of the *Appraisal Institute* with respect to neighborhood analysis and the appraisal of residential real estate:

    (a) It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value. Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

    (b) It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex, or national origin, or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

23. This appraisal assumes the subject property complies with the requirements of the *ADA, Americans With Disabilities Act*. The appraiser is not qualified to analyze the existing or proposed improvements based on ADA compliance, or the reasonableness relating to modification to create compliance. The value estimate is predicated on the assumption that there is no lack of compliance that would cause a loss in value.

24. This appraisal assumes the subject property, as vacant or as improved, has no historical or archeological significance, unless specifically stated in the report. The value estimate is predicated on the assumption that no such condition exists which would restrict or enhance property rights associated with the property.

25. The projections of income and expenses, including reversion at the time of resale, are not predictions of the future. Rather, they are the best estimate of current market thinking

of what future trends may be. No warranty or representation is made that these projections will actually materialize. The real estate market is constantly fluctuating and changing. It is not the task of the appraiser to determine the conditions of future real estate markets, but rather to monitor, analyze, reflect and report what the consensus of the investment community envisions for the future, and upon what assumptions investment decisions are based.

26. Use of the appraisal report by the client, or any other party, for any purpose, constitutes acceptance of the Limiting and Contingent Conditions, and terms relating to authorization or instructions of the appraisal/consulting assignment between the appraiser and the client. Liability of the appraiser, if any, relating to this assignment is limited to the fee paid for services rendered.

APPRAISAL SUMMARY

PROPERTY LOCATION:	8230 East Butherus Drive, Scottsdale 85260
PROPERTY TYPE:	Single story office building, containing 13,246 s.f., built in 1985, and expanded/remodeled in 2000, situated on a 1.838 acre site, zoned C-O, commercial office, under the jurisdiction of the City of Scottsdale.
PURPOSE:	To estimate Market Value, as defined herein, of the Fee Simple Estate of the subject property.
DATE OF INSPECTION:	November 14, 2003
DATE OF VALUE:	November 14, 2003
HIGHEST AND BEST USE:	Office use
ASSESSOR PARCEL NO.:	215-55-040A
CENSUS TRACT:	2168.16
FLOOD ZONE:	Zone X
CONCLUSION:	$ 2,185,000

EXTERIOR VIEWS OF THE SUBJECT PROPERTY

EXTERIOR VIEWS OF THE SUBJECT PROPERTY IMPROVEMENTS

VIEWS OF THE PARKING LOT

ACCESS DRIVEWAY AT THE SOUTHWEST SIDE OF SUBJECT PROPERTY

FENCED ACCESS AREA TO THE SOUTHWEST SIDE OF THE BUILDING

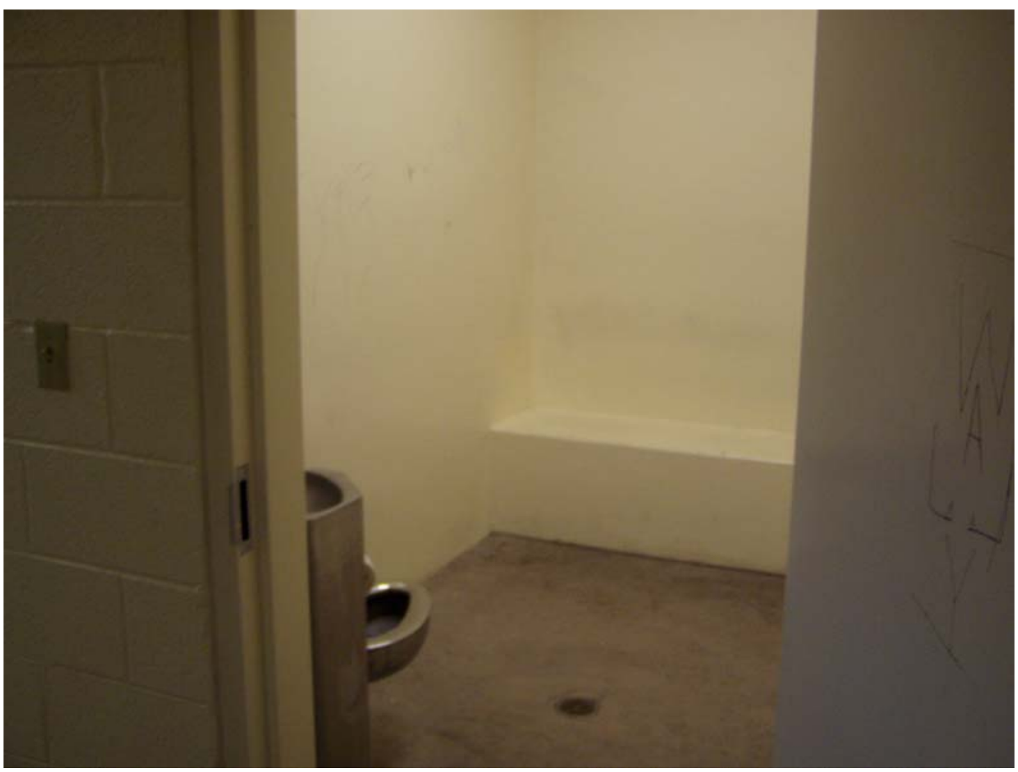
VIEW LOOKING SOUTHWEST ON BUTHERUS DRIVE,
SUBJECT PROPERTY ON THE RIGHT

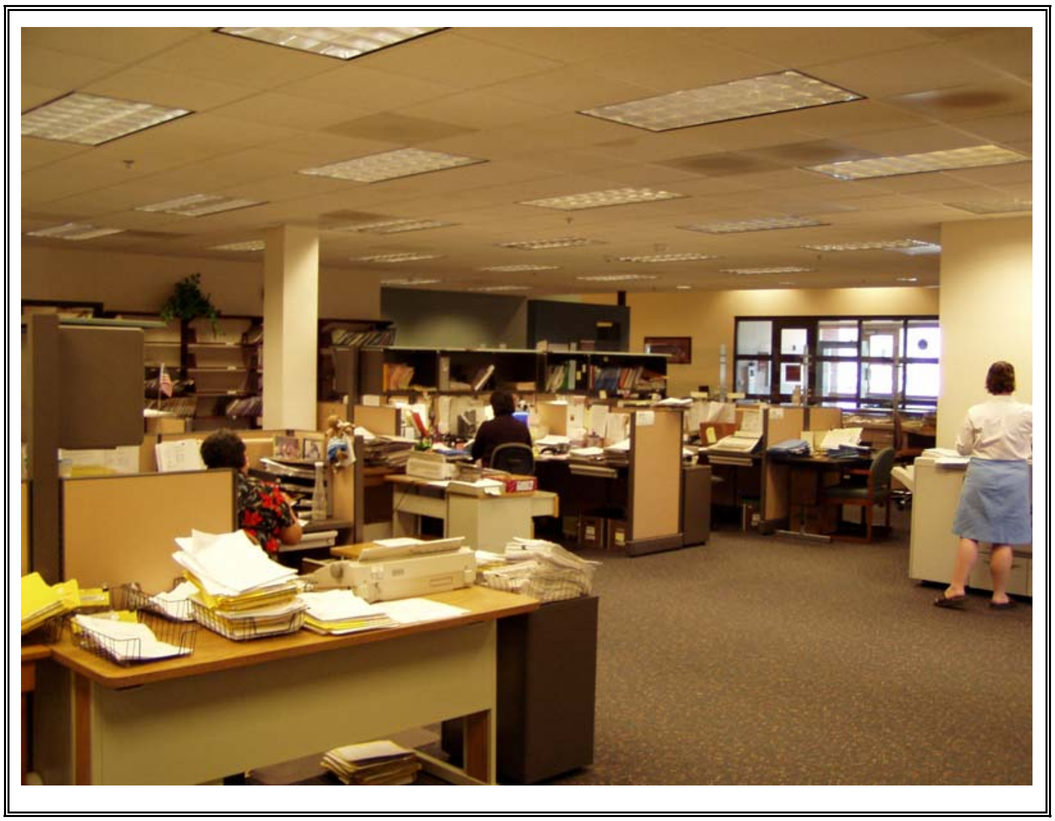
VIEW LOOKING NORTHEAST ON BUTHERUS DRIVE,
SUBJECT PROPERTY ON THE RIGHT

INTERIOR VIEWS OF THE SUBJECT PROPERTY IMPROVEMENTS

INTERIOR VIEWS OF THE SUBJECT PROPERTY IMPROVEMENTS

INTERIOR VIEWS OF THE SUBJECT PROPERTY IMPROVEMENTS
PRISONER HOLDING AREA





INTERIOR VIEW OF THE SUBJECT PROPERTY IMPROVEMENTS

INTRODUCTION

Property Identification:

The property appraised consists of a single-level commercial building, located at 8230 East Butherus Drive, Scottsdale, Arizona. This property is referred to as the subject property within this report.

Purpose of the Appraisal:

The purpose of this appraisal is to provide an opinion of the Market Value of Leased Fee interest in the subject property, as of November 14, 2003.

Definitions:

"Market Value[1]" as used in this report, is defined as:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> A. buyer and seller are typically motivated;
>
> B. both parties are well informed or well advised and each acting in what he considers his own best interest;
>
> C. a reasonable time is allowed for exposure in the open market;
>
> D. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> E. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

"Leased Fee Estate[2]"

> Leased Fee Estate, as used in this report is defined as:
>
> An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

Definitions utilized in this report are also consistent with those indicated in the *Dictionary of Real Estate Appraisal* published by the Appraisal Institute, Chicago, Illinois, 2002.

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[1] *Federal Register*, Vol. 55, No. 165, Friday, August 24, 1990, Rules and Regulations, 12 CFR Part 34.42(f).

[2] The *Dictionary of Real Estate Appraisal*, page 161, Appraisal Institute, Chicago, Illinois, 2002.

Function of the Report:

The function of this report is to assist the client in planning decisions, and possible disposition of the property.

Scope of the Appraisal:

To accomplish the stated purpose of the appraisal, the appraiser has conducted a field inspection of the subject properties and surrounding neighborhood, collected and considered pertinent demographic, economic, governmental and environmental data, analyzed supply, demand and absorption trends and the effect of these forces on the subject properties, and have collected, confirmed and analyzed pertinent market data necessary for the conclusions of value. Information in the Location Overview was compiled from many sources, including *Blue Chip Economic Forecast*, *Arizona Statistical Review*, *Arizona Business*, *Inside Metro Phoenix*, The Arizona Republic/The Phoenix Gazette, *Arizona Community Profiles*, and a variety of other publications including those from Grubb & Ellis, and CB/Richard Ellis Commercial Real Estate Services. Other statistical data sources utilized throughout the report include the *Phoenix Metro Housing Study*, *Apartment Insights* by Real Data, Inc., *The Directory of Shopping Centers*, the *Industrial Market Overview* by Lee & Associates, *Phoenix Metropolitan Area Commercial Reports-Office Market* and the *Retail Market Report*, prepared by the Arizona Real Estate Center of the Arizona State University College of Business, in association with PricewaterhouseCoopers LLP, plus additional statistics published by commercial real estate brokerage firms, such as CB Richard Ellis, Grubb & Ellis Co., Cushman & Wakefield of Arizona, Inc., Colliers International, Insignia-ESG, and others.

The Site Description analysis was based on an on-site inspection of the property, along with review of assessor maps and other exhibits. The Improvements Description was based on a personal inspection of the subject property, along with a review of maps and other exhibits. The appraiser reviewed limited architectural plan excerpts titled Justice of the Peace Court Relocation, by Dick & Frische Design Group, Project 9942.02. Within the analytical segments of the report, market data was confirmed by examination of public recorded documents, such as Affidavit of Value, Deed, or Recorded Mortgage as indicated, as well as interviews with market participants whenever possible. The report considers information from the Cost Approach, Income Approach, and Sales Comparison Approach, to estimate value of the property. The value indications indicated by these approaches are reconciled, leading to a final value conclusion.

This appraisal analysis and conclusion are subject to various assumptions, beyond those within the Limiting and Contingent Conditions, as follows. The conclusions of this report are subject to change, if the assumptions change, or are not valid.

1. A land and building size information was derived from a variety of sources, and is assumed accurate. No site survey was available to the appraiser. Building size information was derived from architectural plan excerpts, drawn by Dick & Fritsche Design Group, project 9942.02. It is assumed that a shared driveway easement exists straddling the southwest property line, allowing for access to the southwest side of the property, and a parking lot entry point on that side of the parcel.

2. The subject property is currently occupied by a governmental agency, and has been since its original development and construction. It is analyzed within this report as if available in the open real estate market, marketable to either private sector users or investors, or public use entities, without special consideration made for special purpose use areas of the improvements.

Environmental Considerations:

Unless otherwise stated in this report, the existence of hazardous substances including, without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the properties, or other environmental conditions, were not called to the attention of, nor did the appraiser become aware of such, during the appraiser's inspection. The appraiser is not qualified to test for hazardous substances or conditions. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated herein. It is assumed that the property is free of any environmental problems which may adversely affect value or marketability.

Americans With Disabilities Act:

The analysis and conclusion of this appraisal assumes that the subject property basically complies with the requirements of the ADA, Americans With Disabilities Act. This law basically indicates that property owners cannot discriminate against disabled persons relating to access or use of building structures; physical or other barriers are to be removed "if readily achievable". It is noted that the appraiser is not qualified to analyze the existing or proposed improvements based on ADA compliance, or the reasonableness relating to modification of the improvements to create compliance. It is recommended that a reader of this report or interested party relating to the subject property retain the services of a qualified engineer, architect, attorney, or other ADA specialist to determine the extent of compliance, and the potential cost, if any, to bring the property into compliance.

Appraisal History

The appraiser has previously appraised the subject property, in approximately 1985, when it existed as a smaller sized building, used as a drivers license vehicle registration facility.

LEGAL DESCRIPTION

The property appraised is legally described as:

Lot 21, SCOTTSPARK BUSINESS CENTER, UNIT 2, according to Book 243 of Maps, Page 32, Records of Maricopa County, Arizona.

The conclusions of this report are subject to change, based on review of title report and legal description information, at a future date.

PROPERTY SALE AND OPERATION HISTORY

An investigation of the subject property involving ownership transfers within the previous five years was conducted utilizing sources deemed reliable by the appraiser. No arms length transactions are known to have occurred during that time period. The owner of record is Maricopa County.

From a historical perspective, public record indicates that the property has been owned by Maricopa County since at least 1998. It is currently utilized as a court facility for Maricopa County, for the Scottsdale Justice of the Peace. It was previously used as a driver's license and vehicle registration facility, as a 5,482 s.f. building. The building was expanded and remodeled in 2000, for the current use.

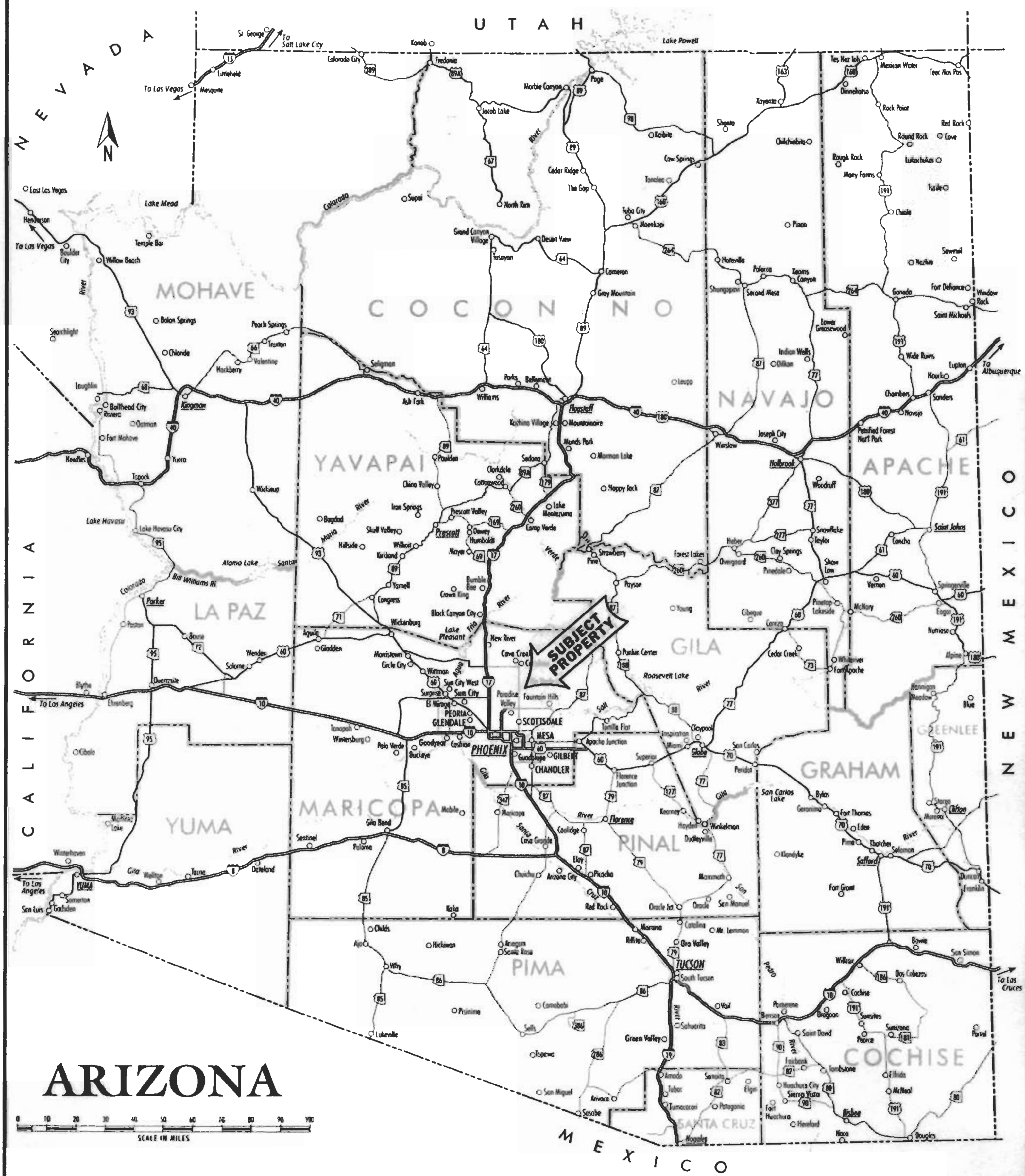
LOCATION OVERVIEW

State of Arizona

Arizona is located in the southwestern portion of the United States, contiguous to the states of California, Nevada, Utah, and New Mexico, and also borders the country of Mexico to the south. The state population was 5,130,632 persons as of the 2000 census, and the state land area is 113,909 square miles. The population density at 45 persons per square mile ranks it among the least densely populated states in the United States, in contrast to ranking 6th of 50 in total land area, and 20^{th} in total population. Arizona ranks as the second fastest growing population state in the nation since 1990 (increasing 40% from 3,665,228 persons, averaging 3.4% per year), and has been among the leaders in percentage job growth and other relative growth categories. The state population has doubled between 1978 and 2000, compared to a 26% national increase during that time period. Arizona is expected to maintain a very high ranking for growth for the current decade.

The state is roughly divided on a northwest to southeast diagonal between the warm deserts south of the diagonal, and the high plateaus and mountains north of the diagonal. The high country winters are cold, the summers cool and pleasant. In the south-central portion of the state, where 85 percent of the people live, winters are warm and pleasant, and the summers hot and dry. Air conditioning of homes, offices, stores, and automobiles provides comfortable desert living year-round.

Population concentration has historically primarily occurred within the Phoenix and Tucson metropolitan areas, comprising approximately 58% and 18% of the state's total residents. These areas are expected to retain this dominant position because of established nature of the physical infrastructure, established economic mix, availability of privately owned land and housing opportunities, plus the attraction of existing resort facilities, retirement communities and warm climate. Satellite city areas such as Flagstaff in the north, Casa Grande between Phoenix and Tucson, and Yuma, in the southwest part of the state will continue to grow at moderate rates because of their unique appeal due to geographic proximity, tourism, physical characteristics, or a combination of all these factors.


ARIZONA
SUBJECT PROPERTY
UTAH
NEVADA
CALIFORNIA
NEW MEXICO
MEXICO
MOHAVE
COCONINO
NAVAJO
APACHE
YAVAPAI
LA PAZ
GILA
GREENLEE
GRAHAM
MARICOPA
YUMA
PINAL
PIMA
COCHISE
SANTA CRUZ
PHOENIX
SCOTTSDALE
MESA
CHANDLER
GILBERT
TUCSON
Flagstaff
Kingman
Prescott
Holbrook
Globe
Florence
Safford
Bisbee
Nogales
YUMA
SCALE IN MILES

Phoenix Metropolitan Area

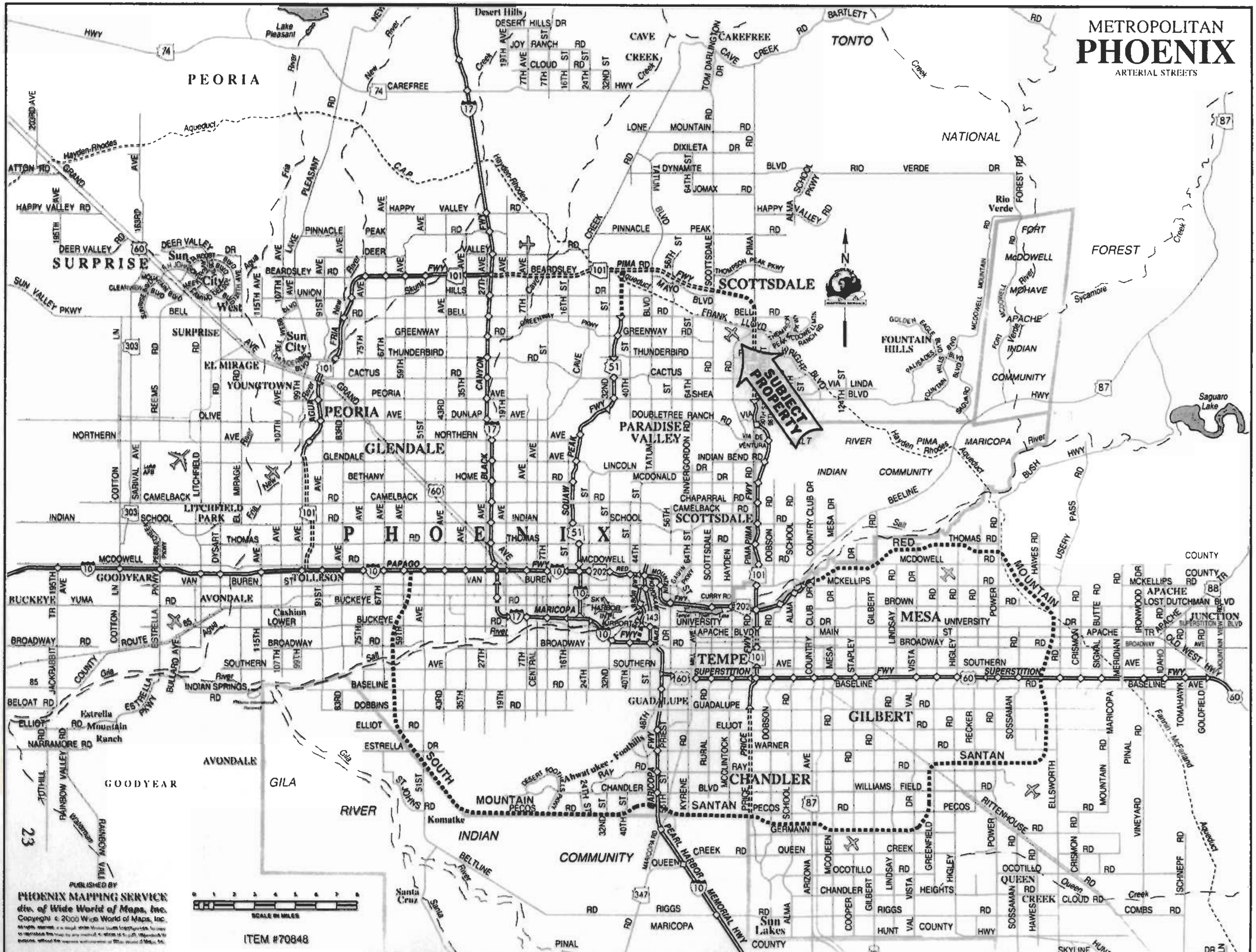
Location, Population, Employment and Economic Characteristics

The subject property is located in the northwest portion of the Phoenix metropolitan area, within the City of Scottsdale. Scottsdale is a city of approximately 215,000 persons, comprising a portion of the northeast segment of the Phoenix metropolitan area. Phoenix is the state capitol, and dominant city in this region, with a population of approximately 1,380,000 persons, ranked as the fifth largest U.S. city. The entire metropolitan area, consisting of Phoenix and the peripheral communities of Glendale, Peoria, Sun City, Scottsdale, Paradise Valley, Goodyear, Avondale, Tempe, Mesa, Chandler, and Gilbert, has an estimated total population of approximately 3.3 million persons. All of these communities are located in Maricopa County, and comprise approximately 95% of the population of the county. Census Bureau statistics in 2000 indicate that Maricopa County had a population increase of approximately 950,000 in the 1990's time period, which was the fastest growth rate for the largest counties in the United States in that period, and second in total population gain. Studies by the Arizona Department of Economic Security indicate that the metropolitan area population is projected to continue to increase at a rate of 2.0-2.8% per year in the current decade. This active growth rate will result in Phoenix maintaining a position among the top five growth areas on a national basis. The following chart summarizes statistics relating to population for Arizona and Maricopa County (the Phoenix metropolitan area).

YEAR END POPULATION TOTALS AND PERCENT CHANGE

Year	Arizona		Maricopa County	
1989	3,681,000	2.4%	2,146,000	2.7%
1990	3,772,000	2.5%	2,205,000	2.7%
1991	3,866,000	2.5%	2,259,000	2.4%
1992	3,974,000	2.8%	2,325,000	2.9%
1993	4,099,000	3.1%	2,404,000	3.4%
1994	4,234,000	3.3%	2,489,000	3.5%
1995	4,363,000	3.0%	2,569,000	3.2%
1996	4,438,000	3.2%	2,621,000	3.7%
1997	4,570,000	2.9%	2,706,000	3.2%
1998	4,864,000	3.3%	2,794,000	3.3%
1999[1]	5,017,000	3.1%	2,995,000	3.6%
2000	5,169,000	3.0%	3,097,000	3.4%
2001	5,321,000	2.9%	3,194,000	3.1%
2002	5,468,000	2.8%	3,289,000	3.0%
2003 (Forecast)	5,605,000	2.5%	3,375,000	2.6%
2004 (Forecast)	5,734,000	2.3%	3,466,000	2.7%

[1]With adjustment for census data.
Source: Arizona State University, W P Carey School of Business, Bank One Economic Outlook Center



METROPOLITAN
PHOENIX
ARTERIAL STREETS
SUBJECT PROPERTY
PEORIA
SURPRISE
GLENDALE
PHOENIX
SCOTTSDALE
PARADISE VALLEY
TEMPE
MESA
GILBERT
CHANDLER
FOUNTAIN HILLS
TONTO NATIONAL FOREST
SALT RIVER PIMA MARICOPA INDIAN COMMUNITY
GILA RIVER INDIAN COMMUNITY
FORT McDOWELL MOHAVE APACHE INDIAN COMMUNITY
GOODYEAR
AVONDALE
EL MIRAGE
YOUNGTOWN
LITCHFIELD PARK
TOLLESON
BUCKEYE
CAVE CREEK
CAREFREE
Sun Lakes
Saguaro Lake
Lake Pleasant
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SCALE IN MILES
ITEM #70848

A breakdown of the metropolitan area population statistics[1] indicates that the number of households is 900,898 as of the mid 1990's. The overall median age of the population is 32.6 years (versus the national average of 33.4 years), and the median adult age for the population is 41.4 years. Thirty seven percent of the population is comprised of children under 18, and 17% is retired. The median household income is approximately $32,200 per year. Fifty-nine percent of the adult population has resided in the metropolitan area for more than ten years, while 25% has lived here five years or less. Fifty-four percent of the adult population is married. Ninety-one percent of the adults are high school graduates, while 28% are college graduates. Sixty-three percent of the population owns homes with an overall median home value of approximately $125,000 as of the late 1990s. The housing prices are approximately 6% below the national average.

The extraordinary growth of the metropolitan area is primarily in response to the attractive sun-belt style of living, affordability based on housing costs and cost of living, expanding economic base, job creation, and central geographic location within the southwestern United States. The business climate and tax laws are favorable, and many national manufacturing concerns, primarily in electronics, have established large plants here and/or are in the process of expanding. Large firms which are present in this marketplace include Honeywell[2], and WalMart, which are the largest private sector employer, with 15,000 and 15,895[3] employees, respectively. Other technology/electronic oriented, retail, and other types of major employers include Motorola, Intel, American Express, Bank One, Banner Health Systems, American West Airlines, Boeing, Qwest, Kroger, and Tosco Corporation. The electronics industry is a key employment segment, which is attractive because it is clean, entices a highly technical labor force, and encourages high capital investment. Firms such as the Dial Corporation, American Express Company, Phelps Dodge, Best Western, America West Airlines, U-Haul, Avnet, and Ramada Hotel Resorts have established national or regional headquarters in this area. A chart itemizing major employer size in Maricopa County follows.

[1] Inside Phoenix, by Phoenix Newspapers, Inc., and Claritas/NPDC Zip Code Roster

[2] Honeywell has combined operations via merger, with Allied Signal, and Sperry Aerospace.

[3] A significant portion of the WalMart employees are located outside the Phoenix metropolitan area.

MARICOPA COUNTY MAJOR EMPLOYERS

Employer	No. of Employees	Employer	No. of Employees
State of Arizona	49,849	America West Holdings	9,300
Wal Mart Stores, Inc.	15,895	Safeway, Inc.	9,100
Maricopa County	15,523	Wells Fargo Bank	8,800
Banner Health Systems	15,521	Bashas' Inc.	8,784
Honeywell, Inc.	15,000	Mesa Public Schools	8,314
The Kroger Co.	13,500	Target Corp.	8,068
City of Phoenix	13,156	Luke Air Force Base	8,000
U.S. Postal Service	11,406	Qwest Communications	7,700
Motorola	10,600	Bank One	7,600
Intel Corp.	10,000	Pinnacle West Capital Corp.	7,600
Phillips Petroleum	10,000	American Express	7,223
Arizona State University	9,754	Bank of America Corp.	5,851

Source: *Business Journal*, June 14, 2002. Employee totals are statewide.

The local area has been very progressive relative to national and state averages, relating to key economic growth barometers, such as for unemployment levels and job growth statistics. This information is indicated in the following charts.

UNEMPLOYMENT RATES

Year	United States Unemployment	Arizona Unemployment	Greater Phoenix/ Maricopa County Unemployment
1989	5.3%	5.2%	4.3%
1990	5.5%	5.3%	4.3%
1991	6.7%	5.6%	4.9%
1992	7.4%	7.5%	6.4%
1993	6.9%	6.2%	5.0%
1994	6.1%	6.4%	4.7%
1995	5.6%	5.1%	3.4%
1996	5.4%	5.5%	3.6%
1997	4.9%	4.6%	3.0%
1998	4.5%	4.1%	2.7%
1999	4.2%	4.4%	3.0%
2000	4.0%	3.9%	2.7%
2001	4.8%	4.7%	3.9%
2002	5.8%	6.2%	5.6%
2003 (Forecast)	5.9%	5.1%	5.2%
2004 (Forecast)	5.6%	5.0%	4.8%

GREATER PHOENIX/MARICOPA COUNTY ECONOMIC INDICATORS(1)

Year	Consumer Price Index % Change	Retail Sales % Change	Wage & Salary Employment % Change
1986	1.3%	18.8%	4.9%
1987	4.1%	3.5%	3.4%
1988	4.0%	4.1%	2.7%
1989	4.9%	6.0%	2.5%
1990	5.6%	2.4%	2.5%
1991	2.8%	1.8%	-0.7%
1992	2.7%	7.5%	1.2%
1993	4.1%	9.8%	4.6%
1994	3.3%	14.3%	6.8%
1995	5.0%	9.9%	6.3%
1996	4.6%	8.2%	7.0%
1997	4.1%	7.8%	5.6%
1998	1.6%[2]	7.9%	5.5%
1999	2.2%	10.4%	4.8%
2000	3.4%	8.4%	3.6%
2001	2.8%	1.5%	1.2%
2002	1.6%	0.3%	-0.5%
2003 (Forecast)	2.1%	3.5%	0.9%
2004 (Forecast)	2.4%	6.0%	3.0%

(1) *Bank One Economic Outlook Center,* W P Carey School of Business, Arizona State University
(2) CPI figures in Phoenix area are discontinued. CPI figures are national beginning 1998.

Figures in the preceding charts indicate that the Maricopa County unemployment rate typically is lower than the State rate, and 1% to 2% lower than the national rate. The Phoenix metropolitan area (Maricopa County) is expected to be able to maintain this edge for an indefinite period of time because of history of job growth, and migration attractiveness for both businesses and population. Job creation is a highly influential factor; it has been low over the past two years, but had been very progressive in prior years. For example, employment growth was at a level of approximately 58,000 in Maricopa County in 2000. Statewide, employment grew by 74,000 positions (4.2%) in 2000, which was the tenth consecutive annual increase, following increases of 4-8% in the previous five years. This has historically been at least twice the national average, and includes substantial growth in the key segment of manufacturing, which allows for an influx of revenue from products sold outside the region. A consensus forecast compiled by the Bank One Economic Outlook Center, Arizona State University, indicates projected Maricopa County increases in Wage and Salary Employment will rebound to over 2% for 2003 and 2004, after dropping off significantly in 2001 and 2002. These recent figures reflect the impact of the economic recession, which began in early 2001, along with the negative economic impact of the September 2001 terrorism attacks. The historic figures contrast the national average in manufacturing job growth typically at 1-3%. Strength in the employment sector is primarily in the high technology industries, construction, and tourism, in contrast to the previously dominant sectors of the economy prior to 1960, involving the four "C's" - Cotton, Copper, Cattle, and Citrus. Review of historic economic figures over the past ten or more years, indicate that the Phoenix area economy experienced the down portion of an economic cycle in 1991-92, compared to extremely robust growth in the early-mid 1980's, and was in a very strong recovery/growth mode as of the mid 1990’s, and has settled into a strong but more stable progressive mode for the end of the 1990’s, then dropped off in 2001 and 2002. It is noted that even in the period of negligible job growth in 1991 and 1992, this was sharply better than national figures. Various forecasting sources indicate that Arizona is likely to be among the leaders in the new decade for job growth, at approximately 2.5%-3.5% annually, compared to very modest average overall job growth for the United States as a whole projected in that time frame. This is attributed to Arizona's reasonable level of wage rates, low levels of unionization, the proximity to California, and low population density. The on-going infrastructure improvements in freeways and the airport will make the Phoenix metropolitan area more competitive and attractive location in the future.

Transportation Issues

The central geographic location of the Phoenix Metropolitan area within the southwestern United States, and established transportation linkages (Sky Harbor International Airport, Southern Pacific Railroad/Burlington Northern Santa Fe Railroad, Interstate Highway System, etc.), places it in a good logistical position for location of distribution and other business facilities. Various firms utilize Phoenix as a major transportation hub in the southwestern United States. Interstate highways link Phoenix directly to southern California and other southwest United States locations, and Mexico to the south. An existing network of railroad lines also serves the metropolitan area.

A current program in the metropolitan area involving freeway construction will be one of the major factors influencing growth patterns in this decade. A 1985 bond issue, funded by a one-half percentage increase in sales tax, is the revenue source behind the 20-year program involving construction of a master plan concept involving 231 miles of freeways. This project has progressed, and has been modified to coincide with priority and funding limitations. Work has recently completed on the sections of a perimeter freeway loop system in the Glendale/Peoria/Northwest Phoenix area (the Agua Fria 101 Freeway), which includes a stack interchange at I-17, and direct connection to I-10 in southwest Phoenix. The 101 Pima Freeway has been completed through Scottsdale. The Squaw Peak Parkway and inner loop section of the Papago Freeway have been completed in the central and east Phoenix areas, with construction on the Red Mountain Freeway completed through Tempe, and extending farther into Mesa. An eleven-mile extension of the Superstition Freeway was completed through Mesa and Apache Junction in 1991. Current projects involve final construction of the Squaw Peak alignment beyond Bell Road. Additional work is in process on the Red Mountain Freeway, plus initial phases of the Santan Freeway and Grand Avenue improvements. Previously anticipated projects such as the Paradise Parkway, and the Northwest Loop/Estrella Freeway, have been dropped from current funding considerations, however Maricopa County is independently segments of the 303 Estrella Roadway, planned for future conversion to a freeway.

This massive freeway expansion is a response to increasing traffic congestion problems which have occurred throughout the developed areas of Phoenix. Problems are magnified because of inefficient distribution of development core areas, and physical constraints because of river or mountain geographic barriers. A combination of inaccurate (low) cost forecasting by transportation planners, significantly escalating costs, and funding short falls, has significantly altered the realities of freeway funding and construction, to the point where planners have now initiated a scaled back freeway master plan. Various additional funding proposals have been considered, such as implementation of an additional half-cent sales tax, and use of toll roads, etc. It is recognized that continuing large increases in the population will likely create strains on even the new freeway corridors, which will create future needs for transportation alternatives, such as the design of mass transit systems. Voters in the City of Phoenix approved funding the Proposition 2000 mass transit enhancement plan in March, 2000, via a 20 year, .4% city sales tax increase. This plan primarily involves expansion of bus lines and frequency of their scheduling, and creation of light rail (electric train) service. This approval came after voter rejection of a variety of mass transit plans in the central portion of the metropolitan area over the past two decades. Voters within the City of Tempe approved a proposal for funding mass transit via an expanded bus system in 1996, which has since been implemented, however corresponding plans had been rejected within the Cities of Phoenix and Scottsdale as of October, 1997. A 1989 proposal for a combination light rail and expanded bus service system in Phoenix, budgeted at $8.4 billion called ValTrans, was rejected by public vote. Voters had also rejected a late 1994 proposal to extend the one-half cent transportation sales tax, which would have extended the existing freeway funding source and provided for new mass transit options. State transportation planners subsequently implemented the planning process for a streamlined version of the freeway expansion system, which has eliminated lower priority routes such as the former Paradise Parkway, and applied cost cutting measures to other planned freeway corridors.

Phoenix Sky Harbor International Airport is the dominant airport in the state of Arizona, and serviced 36,000,000 annual passengers in 2000, as the fifth busiest airport in the United States, with service by 28 domestic carriers. Passenger volume has increased from 13,422,764 in 1985, and is forecasted at 60,000,000 by 2015. Terminal facilities have been significantly expanded in the past ten years; airline operation efficiency has been enhanced with the construction of a third runway which opened in October, 2000. The dominant domestic carriers are America West Airlines and Southwest Airlines, operating out of a total of at least 60 gates. This includes a new concourse of 12 gates in a terminal designed for America West, completed in 1999. British Airways and Lufthansa operate out of the international concourse in Terminal 4, as of the year 2001. Operation of this airport has been enhanced by expanding the west side of the airport via realignment of 24th Street in 2000. Expanding to the west will enable the airport to increase air field capacity and allow immediate expansion for other aviation related functions, such as the air cargo segment adjacent to 24th Street. An update of the Airport Master Plan is currently under review, assessing strategic needs for the next 20 years, and to determine if and how the airport will expand. Future increased efficiency and expansion may be achieved via construction of an additional passenger terminal, and/or other aviation related uses. Land is currently being acquired on the north side of the airport, via a Voluntary Land Acquisition Program. Prior consideration has been given to the concept of developing a regional airport for Arizona at a location midway between Phoenix and Tucson, as a long run alternative to curing potential future over-crowding conditions at Sky Harbor Airport. The regional airport concept is extremely costly, and has substantial opposition from many Phoenix community leaders, despite a moderate level of concept endorsement (without funding) from previous study and advisory groups, such as the Governor's Regional Airport Advisory Committee.

Real Estate and Development Activity

Maricopa County has historically ranked among the top national areas in the real estate development and construction industries. The current level of activity is strong in the residential segment of the market, and low to moderate for various commercial and industrial segments. Building permit and construction activity for single-family residences has been at peak levels over the past five years, inspired by low interest rates, and relative affordability of housing in the Phoenix metropolitan area, versus other national markets. Non-residential activity has slowed in response to weak economic conditions and significant decline in employment gains. The office market represents the weakest segment of the market, where vacancy rates have risen to over 20%, but may be trending down as of early 2003. The industrial segment experience weak demand in 2001 and 2002, impacting a moderate rise in vacancy rates. A minimum level of speculative development is anticipated for office and industrial projects in the near future. The retail segment of the market has continued to expand, with a modest increase in vacancy, impacted by sustained residential growth. Residential housing permit and net migration statistics are indicated in the following chart.

PHOENIX METROPOLITAN AREA RESIDENTIAL BUILDING PERMITS AND POPULATION STATISTICS

Year	Total Building Permits	Single Family Permits	Townhouse Permits	Apartment Permits	Population Net Migration
1983	45,527	19,447	4,851	21,229	29,000
1984	57,674	18,125	7,002	32,547	50,000
1985	50,162	19,432	6,617	24,113	56,000
1986	41,895	20,052	5,516	16,327	61,000
1987	27,494	15,944	3,123	8,427	60,000
1988	20,617	13,843	1,317	5,457	46,000
1989	13,508	11,194	625	1,689	40,000
1990	12,973	10,633	449	1,891	35,000
1991	14,687	13,492	485	710	34,000
1992	20,129	18,329	566	1,234	37,000
1993	24,302	21,896	600	1,799	45,000
1994	33,853	26,626	1,212	6,015	67,000
1995	36,414	26,824	1,599	7,991	83,000
1996	38,146	28,157	1,456	8,533	88,000
1997	39,097	29,124	2,174	7,799	89,000
1998	43,213	33,811	1,525	7,877	84,000
1999	42,465	33,252	1,454	7,759	76,000
2000	42,737	32,494	2,234	8,009	72,000
2001	41,869	32,867	1,801	7,201	66,000
2002	41,386	34,312	1,487	5,607	56,100
2003 (Forecast)	38,900	32,000	1,400	5,500	52,000
2004 (Forecast)	37,200	30,000	1,200	6,000	60,000

Review of the housing activity statistics reveals that the single-family residential segment of the market has been extremely active over the past five-seven years. Phoenix has ranked as the first or second most active housing market in the United States during that period. The apartment segment of the market has declined in activity over the past several years, due to a degree of over building, and competition from the single-family housing segment of the market which has been relatively affordable, because of low interest rates. This segment of the market was adversely impacted by a downturn in the real estate cycle in the early 1990's, and has recovered into a position of general strength since that time. A major segment of new project introduction occurred in Class A luxury projects in prime locations, while a moderate amount of moderate to upper quality projects have or will be built in key growth and infill areas. Single-family residential projects remain as the dominant housing opportunity in the metropolitan area, with large master-planned communities influencing current and future housing trends. The master-planned areas provide interaction between housing, shopping, and employment land uses in a coordinated environment. The Phoenix area is expected to continue to be ranked as a national leader in housing starts in this decade.. A decline by 10%-15% may occur over the next several years, due to normal cyclical variations and the possible dampening effect of higher interest rates. The recent active level of activity has been supported by steady employment growth, the general level of housing affordability, and continuing low interest rates. As previously mentioned, the key influential growth factor is that the Phoenix metropolitan area ranked 53rd of 28,790 MSA's in total job growth at 57,800 in the 2000 time period, and remains a leader. This was a 3.8% increase, ranking it among the top in percentage growth. Recent year job creation growth rate for the Phoenix-Mesa MSA, was twelfth in the nation among 31 markets with a labor force of 1,000,000 or more. The job growth figures dropped to modest levels in 2001 and 2002, impacted by the 2001 economic recession, and terrorism activities, however the single-family residential housing market remained strong, bolstered by very low interest rates. Future population growth projections indicate that current metropolitan area population will increase from approximately 3,100,000 in the year 2000, to approximately 4,000,000 by the year 2020. Therefore, the housing industry will remain active for an extended period of time, as growth alone will create demand for an average number of housing units (of all types), in excess of 20,000 per year. The metropolitan area remains an attractive housing location compared to other locations within the United States, with a median home value of approximately $135,000, and moderate cost of living.

Commercial and industrial development activity is attractive to investors and construction firms in Maricopa County/Phoenix Metropolitan area because of the expansive population base and strong local economy. The following statistics are excerpts from the *2003 Grubb & Ellis Real Estate Forecast-Mountain/Southwest,* as well as their previous annual editions, involving inventory, occupancy levels, and absorption levels.

REAL ESTATE BUILDING INVENTORY STATISTICS
MAJOR PROPERTY USE CATEGORY SUMMARIES-METRO PHOENIX(1)

Year	Office Inventory	Office Occup.	Office Absorption	Industrial Inventory	Indust. Occup.	Industrial Absorption	Retail Inventory	Retail Occup.	Retail Absorption
1977	9.0	--	--	15.0	--	--	27.2	--	--
1985	27.4	78%	3.5	33.5	84%	2.9	41.50	93%	1.5
1986	32.8	77%	3.4	38.7	76%	1.7	46.61	91%	1.8
1987	33.6	79%	3.0	41.8	75%	2.1	50.57	90%	3.3
1988	35.9	79%	2.1	44.7	78%	3.3	53.77	88%	3.2
1989	39.5	77%	1.7	44.7	78%	2.9	57.67	87%	1.9
1990	38.6	74%	2.1	44.8	77%	1.0	62.73	86%	1.4
1991	38.8	75%	1.2	45.0	79%	.6	66.05	86%	2.2
1992	38.8	78%	1.5	45.9	82%	1.8	66.99	87%	1.0
1993	38.8	81%	1.7	45.1	86%	1.8	68.11	89%	2.9
1994	38.8	86%	2.0	45.8	89%	2.3	72.89	90%	2.5
1995	39.7	87%	2.8	78.3	87%	4.0	74.20	91%	3.1
1996	42.2	89%	1.3	84.7	89%	5.3	77.26	91%	2.5
1997	41.9	90%	1.7	78.8	89%	3.8	76.92	92%	2.3
1998	44.3	90%	2.1	85.0	87%	4.0	77.52	93%	2.2
1999	45.0	89%	2.3	91.4	87%	5.8	83.45	93%	2.1
2000	48.3	89%	2.5	221.5	93.6%	4.3	87.37	94%	3.0
2001	51.8	84%	0.5	224.5	91.6%	0.5	92.50	93%	4.0
2002	54.2	78%	(0.5)	228.8	89.2%	1.3	99.20	92%	5.0

(1)Source: Grubb & Ellis-BRE Commercial LLC. Inventory figures in millions of square feet, for non-owner occupied buildings, absorption figures reflect net absorption, except industrial space since 2000. Annual inventory totals reflect adjustments for new construction and for changes in owner vs. tenant use, therefore changes in total inventory figures in office and retail space do not necessarily reflect exact total change, but indicate general trends. Office figures are for projects of 20,000 s.f. and greater. Industrial figures changed in 2000 for all space, vs. only non-owner occupied space in prior years, for 10,000 s.f. and greater in standard industrial and R&D/Flex space, except 25,000 s.f. and up before 1995, which made large inventory adjustments. Retail figures for projects of 20,000 s.f. and greater, combining Neighborhood, Power, Regional, Specialty, and Strip retail properties.

The general characteristics of the current real estate market, involving three major use categories (office, industrial, and retail) is characterized as moderate to weak, influenced by some recent fluctuations. Activity relating to new project development, absorption, and general occupancy levels have remained at strong, healthy, but competitive levels since the mid-1990's in the retail segment, however the industrial and office segments have experienced significant weaknesses, partially over the past two years. Historically, a long period of expansion occurred in the mid to late 1990's, following a period of market correction, and relatively difficult real estate market conditions which had prevailed during the late 1980's into the early-mid 1990's. The historically strong character of the market is related to the positive growth of the Phoenix area economy over the past several years, fueled by a combination of continued strong population growth, and strong job growth. The job growth progression significantly slowed in 2001 and 2002, impacted by the national recession, and terrorism activity circumstances, however economic barometer statistics remain progressive with respect to national averages. Limitations are imposed by a relatively tight labor market in the state, and the anticipated contraction of the economy as a whole. Statistical evidence of these situations was presented in charts on previous pages. A brief synopsis of the status of major real estate use categories is as follows:

In the ***office*** category, the total inventory of space has consistently increased over the past seven years, with relatively dramatic increases in both speculative and owner-user projects in the 1998-2001 period. This had followed a period of minimal expansion for the early to mid 1990's. The office market has significantly weakened since late 2000 or early 2001, due to uncertain economic conditions, corporate downsizing/layoffs, company mergers, relocations, etc. A significant inventory of new office space came on-line in the past two years, while net absorption has declined, resulting in increasing vacancy rates. The market is further challenged by the availability of a significant amount of sublease space. Vacancy rates have increased from the 8-10% range in the late 1990's, to in excess of 20%, with negative net absorption in 2002. The high vacancy rates are expected to prevail into 2004 or 2005. This has resulted in softening rental rates and increased concessions. Over the past several years, the strongest office markets have been in the Camelback corridor, and North Scottsdale and West Phoenix along the freeway corridors, with weakness in the Uptown/Central Business District area.. Significant introduction of new Class A office space has been experienced in the downtown Phoenix central business district area, where two large high-rise projects have been completed. Selection of office locations is impacted by freeway system growth, which makes some previously inferior access locations more competitive, such as in several Northwest and Southeast area locations.

The ***industrial*** segment of the market has experienced significant expansion over the past several years, with strong levels of annual absorption through the year 2000. Absorption slowed to minimal levels in 2001 and 2002 relating to the impact of recessionary economic conditions, and terrorism impact; various companies laid off workers, and the manufacturing sector has experienced negative growth. Speculative construction is at a minimal level, while build to suit activity is at a moderate level. The decline in the number of construction projects may level off in 2003, then begin a gradual increase as the economy, job creation, and competitive conditions improve. The overall vacancy levels have significantly increased to approximately 11%, from 6%-8% in prior years, which will soften lease rates, and lead to negotiation of some concessions in lease and sale transactions. Portions of the vacancies are in large distribution and manufacturing spaces, as a few large uses consolidated operations, such as Honeywell and Motorola. The influence of the challenges in this segment of the real estate market is expected to subside as the economy recovers within a 12 to 24 month time horizon.

The ***retail*** segment of the market has experienced strong growth in the past several years. This correlates with strong population growth, physical expansion of housing community areas, and progression in total retail sales dollars. The characteristics of the overall retail real estate market and the expansion characteristics remain generally consistent with prior years, with neighborhood and specialty center construction, plus recent opening of two new regional malls, and other power centers. Big box retailers continue to have a strong influence in the marketplace, however the pace of new project introduction of this type has slowed due to a degree of market saturation. Various small shop retailers have been casualties from the competitive pressures from the large specialty retailers, and selective vacancies exist in some areas with large sized tenants, where mergers, or business closures has occurred, such as the closure of ABCO grocery stores. The market is adjusting to changes such as the introduction of Wal-Mart Superstore projects, future opening of the Santan Regional Mall in Chandler, potential development of a regional mall in North Scottsdale, and establishment of the Scottsdale Promenade, and Scottsdale 101 power centers in North Scottsdale. Rapid and strong growth has occurred in strategic locations of northwest Phoenix near Arrowhead Towne Center. New opportunities are occurring in the southwest area, inspired by completion of the Agua Fria 101 Freeway connection, and significant home building activity. Recent and continuing trends involve the combination of shopping and entertainment in coordinated developments, with strong restaurant components. The retail segment of the market has only been moderately impacted by the impact of the 2001 recession, with a slight increase in vacancy rates. Rental rates have typically flattened over the past year, and the impact of concessions on new leases is stronger than in previous years. The retail expansion is typically related to the activity in the housing market, which remains strong. New project development is following freeway expansion, activity in master planned communities, and introduction of retail and restaurant entities expanding into the Phoenix area (such as Lowes, Ultimate Electronics, CVS Drugstores, Eckerd Drug Stores, In-N-Out Burger, and others).

The ***tourism/hospitality*** segment of the market continues to play a vital role in the metropolitan area economy as visitors are attracted by the climate and relatively unique desert oriented scenic attractions. A total of Phoenix metropolitan area tourism expenditures, estimated by the *Arizona Hospitality and Resource Center*, Northern Arizona University, is approximately $5 billion. The following is a chart summarizing tourism/visitor economic impact.

DOMESTIC VISITOR ECONOMIC IMPACT – PHOENIX METRO AREA 1995-2001

	1995	2000	2001
Estimated Number of Visitors	$9.2 million	$11.8 million	---
Visitor Expenditures	$3.29 billion	$4.99 billion	$4.94 billion
Estimated Sales & Excise Taxes	$168 million	$255 million	$265 million

Source: Arizona Hospitality Research and Resource Center, Northern Arizona University.

Recent lodging expenditures amount to approximately 21% of the total visitor expenditures, food and beverage sales at 20%, retail related expenditures at 58%, and amusement expenditures at 1%. The inventory of guestrooms in the metropolitan area increased over 50% in the 10 years from 1984 to 1993, from 23,582 to 36,117, and now has increased to approximately 51,300 as of year end 2001 estimates. Hotel inventory expansion has been cyclical, peaking in the 1980’s in 1987, with a minimal level of construction in the late 1980's to mid 1990's, with a recent significant expansion period occurring in 1995-1998. The largest expansion segment of the market has been in the limited service segment (increasing approximately 75% in the mid to late 1990’s), which includes partially strong new introduction of suite, and extended stay hotels. Substantial overbuilding and associated marketability problems for hospitality properties in the State of Arizona in the mid 1980's to early 1990's, caused significant cash flow and value decline problem situations. The hotel real estate industry has experienced significant fluctuations in the past ten years. The industry has been hit hard by declines in travel and tourism in general since 2001. Historically, metropolitan Phoenix hotel occupancy levels had risen from 57.8% in 1988, to 67.5% in 1993, and 71.1% in 1997, then declined to 64.7% in 1998, and 64.3%, 61.8% and 62.6%, respectively in 2000, 2001 and 2002. Information compiled from various sources, such as PKF, Smith Travel Research, and Warnick & Co., indicates that the significant surge in recent hotel construction over the mid to late 1990’s has caused an occupancy decline from a peak of approximately 72% to the mid 60’s. The hospitality industry has been adversely impacted by the influence of 2001 terrorism circumstances, and the economic recession. The following table indicates statistics relating to hotel/motel inventory in the Phoenix metropolitan area over a recent expansion period.

METROPOLITAN PHOENIX-NEW HOTEL DEVELOPMENT (NO. OF ROOMS)
1994-2001

YEAR	LIMITED SERVICE	FULL SERVICE	RESORT	TOTAL
1994 (Existing Inventory)	14,015	11,555	8,826	34,396
1995	1,000	0	60	1,060
1996	1,650	0	349	1,999
1997	3,400	0	116	3,516
1998	4,800	0	24	4,824
1999	2,376	349	1,080	3,805
2000	1,181	0	302	1,483
2001	174	0	0	174
Estimated Inventory	28,596	11,904	10,757	51,257

Source: Warnick & Company

Hotel room demand growth had been relatively strong at 3-6%/year throughout the most recent years of hotel room inventory expansion (approximately 14,144 new rooms completed in 1996-1999), but is well behind the increase in supply. Average Daily Rate change has been modest during the expansion period, has recently been negative, and overall operating performance has declined since 2000. The changes which occurred in the hotel market have resulted in overbuilding in various sub-market areas, in various product types, while other sub-markets of the metropolitan area have adequately adjusted to market growth. Several large scale luxury/resort projects have been introduced in the past years, however a minimal level of project construction is evident in other segments of the market.

Conclusion

In conclusion, economic growth prospects for Arizona and the Phoenix metropolitan area within the next ten years are considered good. Most segments of the real estate market recovered from difficult conditions in the early 1990's, but have experienced a new level of fluctuations, due to economic recession and terrorism activity in 2001. It is anticipated that significant weaknesses will persist in the office and some industrial segments of the market for another year or two. Certain geographic areas of particular strength or weakness will continue to exist. The current situation was demonstrated by the statistics on building permits, and industrial/office/retail inventory figures on previous pages. A decline in the rapid pace of expansion has occurred, however overall characteristics of the market are expected to remain progressive. In the long run, the favorable climate, expansive economic base, population increase projections, demographic characteristics of the relatively young, active population, and the growth stage of economic development (versus a mature stable environment) in the Phoenix metropolitan area, will influence general expansion, and appreciation of overall property values in the metropolitan area.

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Local Data

The subject property is specifically located in the City of Scottsdale, Arizona which has an estimated current population of approximately 215,000 persons. It is primarily a suburban area, located adjacent to the east side of the City of Phoenix, the capital of Arizona and is the fourth largest city in the metropolitan area. It was incorporated in 1951, with an initial area of .62 square mile, and a population of 2,000 persons; it now encompasses approximately 185 square miles. It has been undergoing steady growth far above the national average, along with surrounding areas. Since 1990, Scottsdale has experienced an average annual population growth rate at 5.6%, compared to 4.7% annually for the metropolitan area. As a result of strong growth, the real estate market is active, but competitive, subject to cyclical variations, and expected to continue in this fashion in the foreseeable future. Scottsdale is characterized as an affluent community, noted for its resort tourism activities, upscale housing communities, upscale retail shopping centers, and strong economic base. It serves as a nucleus of many cultural activities for the entire metropolitan area, due to the presence of the Scottsdale Center for the Arts, the Scottsdale Symphony, various theater groups, and numerous art galleries. Scottsdale is progressive in its attempt to preserve the natural scenic environment. A wide variety of public and private recreational amenities are present throughout the city, including approximately 2,600 acres of parks and golf courses. The city hosts the PGA Phoenix Open at the Tournament of

Players Club Golf Course, the Scottsdale Princess Resort hosts a men's professional tennis tournament, and the West World facility hosts a variety of major equestrian events. Scottsdale Stadium is the spring training home of the San Francisco Giants, and their AAA minor league baseball team, the Phoenix Firebirds.

Scottsdale Population and Employment Analysis

Scottsdale has been one of the most actively growing communities in the southwest United States, experiencing a population growth of 162% between 1975 and 2000, averaging 6.5% per year. For 1990-2000, the overall increase was 55.8%, averaging 5.6% per year. In addition, at least 30,000 people reside in the city on a part time basis during the winter. A growth rate at 4.5% - 5.5% per year is expected in the current decade.

The median household income in Scottsdale currently leads the metropolitan area, per 2000 U.S. census data. The median income at $57,484 is 27% higher than the average for the Phoenix metropolitan area as a whole. Scottsdale is highly attractive to a variety of business executives and other professionals, while many of the workers who are employed by the large service and retail industries in Scottsdale, reside outside of the city limits, in adjacent areas of Phoenix, Mesa and Tempe. The strong level of population growth is directly related to the corresponding growth in the number of households, and the corresponding demand for housing. The geographic constraints of the limited amount of developable land, and proximity to the Salt River Indian reservation, dictate that future population expansion will primarily be within the northern and northeastern regions of the city.

Scottsdale's unemployment rate is currently at approximately 4%. It has historically had an unemployment rate since 1980 ranging from 1.9% to 5.8%. This has been consistently at least 20% lower than the unemployment rate for the Phoenix metropolitan area, and 30% lower than the State of Arizona. More than 15,000 businesses operate in Scottsdale, with a majority as small businesses. Job growth has been a significant factor in the economic vitality of the region; Scottsdale has experienced a 30% job growth rate in 1990-2000, compared to 28% for the metropolitan area as a whole. The job growth figures have been low during 2001 and 2002. Traditionally, suburbs have exported labor to the central city; today suburbs are coming into their own as employment centers. Historically, Scottsdale was thought of as a bedroom community for Phoenix, however, it is now the greatest net importer of labor of all communities in the metro area. The following chart indicates job growth and other figures.

JOB GROWTH, LABOR FORCE GROWTH, AND POPULATION GROWTH		
Year	**Scottsdale**	**Maricopa County**
JOB GROWTH		
1990	88.967	1,027,007
1995	118,551	1,276,057
2000	126,918	1,454,181
Percent Change 1990 – 2000	30%	29%
LABOR FORCE GROWTH		
1990	72,793	1,074,542
1995	90,579	1,308,729
2000	103,407	1,489,292
Percent Change 1990 – 2000	30%	28%
POPULATION GROWTH		
1990	130,069	2,122,101
1995	168,176	2,551,765
2000	204,565	3,072,149
Percent Change 1990 – 2000	36%	31%
Ratio of Jobs to Labor Force:	1.23 to 1	0.97 to 1

Source: Arizona Department of Economic Security,
City of Scottsdale Office of Economic Vitality

Scottsdale largest employers are led by the Scottsdale Memorial Health System, General Dynamics, Mayo Clinic, Scottsdale Schools, and several resort and tourism related activities. Overall, the tourism/hospitality industry has a large impact on the city, with bed tax collection at over $7 million. The hospitality industry employs 11% of the workforce. There are over 50 resorts and hotels in Scottsdale/Paradise Valley, representing 13,316 rooms as of 2001. A list of the major employers in Scottsdale is provided on the next page.

MAJOR EMPLOYERS IN SCOTTSDALE (2000)

Company Name	Employees
Scottsdale Memorial Health System	4,473
General Dynamics	3,600
Mayo Clinic	3,000
Scottsdale Unified School District	2,700
Advanced PCS	2,700
City of Scottsdale	1,700
The Vanguard Group	1,118
Scottsdale Princess Resort	1,080
Hickey Mitchell Insurance	1,000
Scottsdale Insurance Company	959
Hyatt Regency Gainey Ranch	850
Wilson Electric Co., Inc.	803
United States Postal Service – Scottsdale	688
Rural Metro	684
First Health Group	680
Desert Mountain Properties	650
Boulders	650
Dial Corp	600
Scottsdale Plaza Resort	600
Pegasus Solutions	600

Geographic Layout

Scottsdale has an irregular configuration, extending over an expansive distance of approximately 31 miles in a north/south direction, with a relatively narrow land area of two to four miles wide in the southern portion, then expanding over an extended area of nine or more miles in the northern portion. The southern geographic area is constrained by the boundaries with the cities of Phoenix and Tempe, plus its borders on the east with the primarily undeveloped Salt river Indian Reservation. The northeast area is at the base of the McDowell Mountains. The original development area of Scottsdale was in the southern portion, which remains the nucleus of civic and cultural activities. Concentration of present and future growth, emphasizing large-scale residential housing communities, is to the north and northeast. A major nucleus of business activity is at Scottsdale Airpark, is located in the north central portion of the community.

Community Development Highlights

Scottsdale's original developed area evolved in the south and south central portion of the city, which includes the area now associated with its civic center/government core, and a concentrated area of commercial uses. Growth over the past twenty years has expanded the intensity of land use well beyond the core area. Examples of significant well established development areas in the central and northern sections of Scottsdale are McCormick Ranch, a planned residential/commercial/industrial resort community for a projected population of 12,000 persons on 4,000 acres, and the Scottsdale Ranch master planned development on 1,119 acres. Farther northeast, the 12,000-acre incorporated community of Fountain Hills has been substantially developed adjacent to the Scottsdale city limits. Construction has progressed to a stage of near completion over the past 20 years, on major infill projects such as Gainey Ranch, including a Hyatt Regency Resort, a 27-hole golf course, and various phases of dwelling units. Various land parcels in the areas paralleling Scottsdale road, extending north from downtown Scottsdale into Northern Scottsdale have evolved as popular and well-established resort settings. Approximately 50% of Arizona's resorts are located in Scottsdale. Large master planned community areas, which have particular emphasis on affluent housing opportunities, have had a dominant impact on the growth and character of the entire northeast portion of the metro0loitan area of ver the past 10-20 years. This trend is expected to continue, particularly north of the CAP, in both Scottsdale and Phoenix, due to natural growth progression, and recent improvement in transportation access via the new Pima 101 freeway linkage.

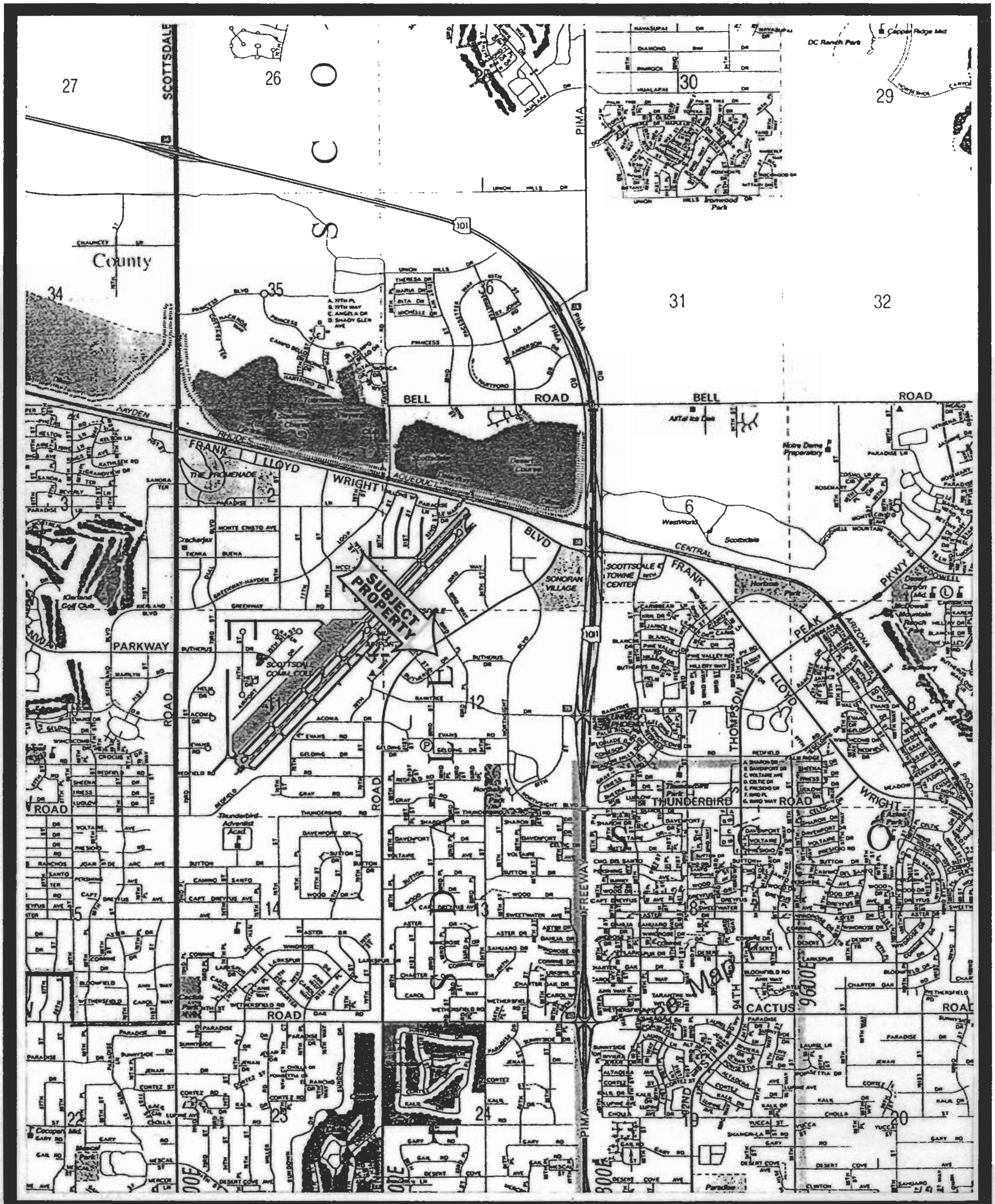
Among current and relatively new developments that are having a positive influence on north and northeast Scottsdale development is the establishment of a large campus medical facility for the Mayo Clinic at 136th Street and Shea Boulevard. Mayo Clinic has also opened a full scale hospital in northeast Phoenix. In addition, two, 18-hole championship tournament style PGA golf courses and the adjacent Princess Resort Hotel, have been built just east of Scottsdale Road, north of the Central Arizona Project Canal. One of the golf courses, the Tournament Players Club, was established in 1987 as the relocated home of the PGA Phoenix Open.

The northern portion of Scottsdale and far northeast Phoenix has evolved as an area of upscale housing, where projects have been designed to maximize the natural scenic beauty of the existing desert and mountainous terrain. The north Scottsdale area is generally described as beginning in the vicinity of Bell Road/Frank Lloyd Wright Parkway, extending approximately ten miles northerly through sporadically developed portions of open desert areas, adjacent to the towns of Carefree and Cave Creek. These rural adjacent communities have a total population of approximately 8,000 persons, which have primary appeal as recreational/resort/custom home oriented communities, emphasizing low density residential development. Significant development projects in the north Scottsdale area, north of Bell Road, began in generally large scale in the 1970's initially with projects such as Pinnacle Peak Country Club in various stages. The pace of development increased dramatically in the mid and late 1980's with the establishment of several projects in the Pinnacle Peak area, such as Desert Highlands (850 acres), Troon village (2,600 acres), Troon North (1,800 acres). The northern end is anchored by The Boulders (1,015 acres) in Carefree and northern Scottsdale, and Desert Mountain (8,000 acres) further northeast. Terravita (823 acres) is adjacent to The Boulders. Tatum Ranch (1,403 acres), and the adjacent Tatum ridge (400 acres) are more centrally located. More recently, new master planned communities have been established, such as McDowell Mountain Ranch (3,200 acres), Greyhawk (2,350 acres), Ancala Country Club (500 acres), Scottsdale Mountain (1,400 acres), and DC Ranch (8,300 acres). Homebuilding is active in the Desert Ridge master planned community (5,273 acres), in northeast Phoenix.

Transportation Issues

The City of Scottsdale is primarily accessed by a grid network of major streets, plus a pattern of meandering major arterial roads in the far northerly sections. The patterns and efficiency of vehicular travel have been enhanced in the past few years, by the completion of the Pima Freeway/Loop 101. The freeway extends through Scottsdale and the adjacent Indian Community area in a north/south alignment parallel to Pima Road, and curves northwest in the vicinity of Frank Lloyd Wright Boulevard, then westerly in the Beardsley Road alignment to connect to I-17, and further west, in Phoenix. Air travel is available via limited commercial service at Scottsdale Municipal Airport. Major airline transportation access is available at Sky Harbor Airport (Phoenix), one of the dominant airports in the United States.

Neighborhood Map



Neighborhood Analysis-Greater Scottsdale Airpark

A neighborhood is a portion of a larger community, or an entire community, in which there is a homogeneous grouping of inhabitants, buildings, or business enterprises. Inhabitants of a neighborhood usually have a more than casual community of interest. Neighborhood boundaries may consist of well-defined natural or man-made barriers, or they nay be more or less well-defined by a distinct change in land use or in the character of the inhabitants.

The subject property is specifically located in the 2900+ acre community areaknown as the Greater Scottsdale Airpark. This area includes the Scottsdale Industrial Airpark subdivisions adjacent to Scottsdale Municipal Airport, and the peripheral business park and commercial use areas such as Kierland, Northsight, Sonoran Village, and Perimeter Center. This area is generally bounded by 70th Street on the west, 90-96th Streets on the east, Thunderbird Road on the south, and the Pima Freeway/Loop101 on the north. This is a mixed use area, dominated by business park and commercial developments, which also includes a PGA golf course, various resort and hotel projects, and high density housing.

The original Scottsdale Airpark development, which was established in the late 1960's, has experienced very rapid growth over the past 25 years. In the initial period, subdivided and developed commercial/industrial land increased dramatically in area, including the eastern phases of the Scottsdale Airpark and independent subdivisions called Scottspark Business Center, and Sun Airpark Corporate Center. These areas are now dwarfed of the magnitude of more recent project development, including development of the North Scottsdale Airpark subdivisions, intense retail and business park development within the area originally identified as Northsight, the 250 acre Perimeter Business Park development north of the CAP Canal, the McDowell Mountain Ranch Business Park east of the Pima Freeway and south of Bell Road, commercial development on the west side adjacent to the Kierland community area, and the development of automobile dealerships along the Frank Lloyd Wright Boulevard corridor, and further north on Scottsdale Road. The most recent large scale commercial developments are the Promenade 60-acre retail complex, and the Scottsdale 101 power center. The dramatic growth is a result of the strategic geographic position of this business park and commercial community with respect to other portions of the Scottsdale and northeast portions of the metropolitan area, plus land planning limitations which consolidate many of the intense users of this area, to this particular geographic location. The growth has been enhanced with the recent completion of the freeway system which is extending through this area (Pima Freeway Loop 101).

The number of businesses operating in the Greater Scottsdale Airpark area, has increased from approximately 100 in the early years of the later 1970's, to 943 as of 1990, and approximately 2,200 as of the current date. The total number of employees in the local area is estimated at approximately 41,265, as of December, 2002. The wide array of businesses operated out of a total building inventory area of approximately 17,350,000 s.f. The following statistics have been compiled by Colliers Classic Real Estate, indicating growth patterns and levels of building inventory and occupancy.

THE "GREATER SCOTTSDALE AIRPARK" GROWTH
June 1981 – December 2002

Date	Square Feet	Vacancy	Number of Employees	Number of Businesses
Jun. 1981	1,580,611	13.9%	3,320	268
Jun. 1982	1,720,210	10.1%	3,680	289
Jun. 1983	1,900,188	6.1%	4,038	316
Jan. 1984	2,288,439	10.9%	4,504	383
Jun. 1984	2,587,000	10.5%	5,320	460
Jan. 1985	2,683,394	11.8%	5,345	480
Jul. 1985	3,206,670	17.3%	5,500	517
Jan. 1986	3,673,589	18.7%	5,861	534
Jan. 1987	4,419,226	19.4%	8,661	733
Aug. 1987	4,811,007	19.0%	8,912	841
Aug. 1988	4,881,979	16.0%	9,802	957
Aug. 1989	5,234,493	17.2%	10,355	930
Aug. 1990	5,396,211	14.3%	10,120	943
Aug. 1991	5,868,194	14.2%	10,654	1,082
Aug. 1992	6,141,078	12.6%	11,345	1,076
Nov. 1993	6,146,866	6.7%	13,402	1,237
Sep. 1994	6,569,987	3.5%	13,846	1,257
Sep. 1995	6,932,228	2.3%	14,132	1,332
Dec. 1996	8,126,066 *	3.1% *	17,275 *	1,477 *
Dec. 1997	9,697,203 *	3.2% *	19,837 *	1,624 *
Dec. 1998	11,085,954 *	4.1% *	25,891 *	1,708 *
Dec. 1999	14,626,300 *	6.0% *	30,344 *	1,807 *
Dec. 2000	15,657,920 *	7.6% *	31,992 *	1,868 *
Dec. 2001	16,282,920 *	9.8% *	33,015 *	1,907 *
Dec. 2002	17,356,120 *	12.9% *	41,265 *	2,198 *

* These numbers reflect the "Greater Scottsdale Airpark"

QUICK FACTS ABOUT THE "GREATER SCOTTSDALE AIRPARK"

	1999 Total	2000 Total	2001 Total	2002 Total	12-Month Change
Number of Businesses	1,708	1,868	1,909	2,198	15.13%
Number of Employees	30,344	31,992	33,015	41,265	24.98%
Number of Buildings	566	612	625	687	9.92%
Total Square Footage	14,626,300	15,657,920	16,282,920	17,356,120	6.59%

BREAKDOWN OF EXISTING BUILDINGS (SQUARE FEET)

	Office/Whse	%	Office	%	Hangar	%	Retail	%	Total	%
Occupied	6,453,973	86%	4,331,520	81%	575,099	98%	3,296,380	97%	14,656,973	86.1%
Vacant	1,050,647	14%	1,016,036	19%	11,737	2%	101,950	3%	2,180,369	12.9%
Total	7,504,620	45%	5,347,556	32%	586,836	3%	3,398,330	20%	16,837,342	100%

INVENTORY OF EXISTING BUILDINGS (SQUARE FEET, 2002)

	Total	(%)	Occupancy Level
Total Existing	16,453,973	(100)	86.1%
Office/Warehouse	7,504,620	(45)	86%
Office	5,347,556	(32)	81%
Hangar	586,836	(3)	98%
Retail	3,398,330	(20)	97%

Adjacent Land Uses

The subject property is specifically located within the east portion of the business park use activity area at Scottsdale Airpark, on Butherus Drive, east of Hayden Road, and southwest of 83rd Place. Butherus Drive exists as a local access road. Specific land uses adjacent to the subject property include multiple tenant commercial and industrial buildings on all sides. The property northeast and West of the subject site is a single level commercial building, operated as a retail/wholesale building product design center. A retail building facing Hayden Road is located to the west, and a commercial building and car wash to the southwest. The properties to the southeast, on the opposite side of Butherus Drive, primarily consists of single and multiple tenant commercial and industrial buildings, including an automobile service center, and office/warehouse buildings. A large building occupied by Costco is further northeast, at the end of the block. This general area is intensely developed. Additional property uses in this area include automobile dealerships, office buildings, and aviation related uses.

SITE DESCRIPTION

The subject site consists of a rectangle shaped land parcel, containing 1.838 acres, located on Butherus Drive, in the middle of the block between 82nd Street, and 83rd Place, Scottsdale, Arizona. The street address is 8260 East Butherus Drive, Scottsdale, Arizona 85260. An outline of the site characteristics is provided below. Site exhibits are included on the next pages.

Assessors Parcel Number: 215-55-040A

Site Area: 1.838 acres, per assessor records, not verified by survey.

Shape/Frontage/Dimensions: Rectangle configuration, situated on the northwest side of Butherus Drive, approximately 260 feet east of 82nd Street, and 228 feet west of 83rd Place. The property has a frontage along Butherus Drive of approximately 291.58 feet., a southwest dimension of 299.99 feet, and an northeast dimension of 234.87 feet.

Access: The subject site has improved street access along Butherus Drive. Additional access along an assumed reciprocal use driveway, which straddles the southwest property line.

Topography: Basically level and at grade with surrounding properties.

Drainage: Drainage appears to be adequate, as typical of adjacent properties.

Street Improvements: Butherus Drive

Street Surface	-	Asphalt paved, 2 lanes.
Type	-	Local access roadway.
Curb/Gutter/Sidewalks	-	Concrete curbs, gutter and sidewalks.

Utilities:

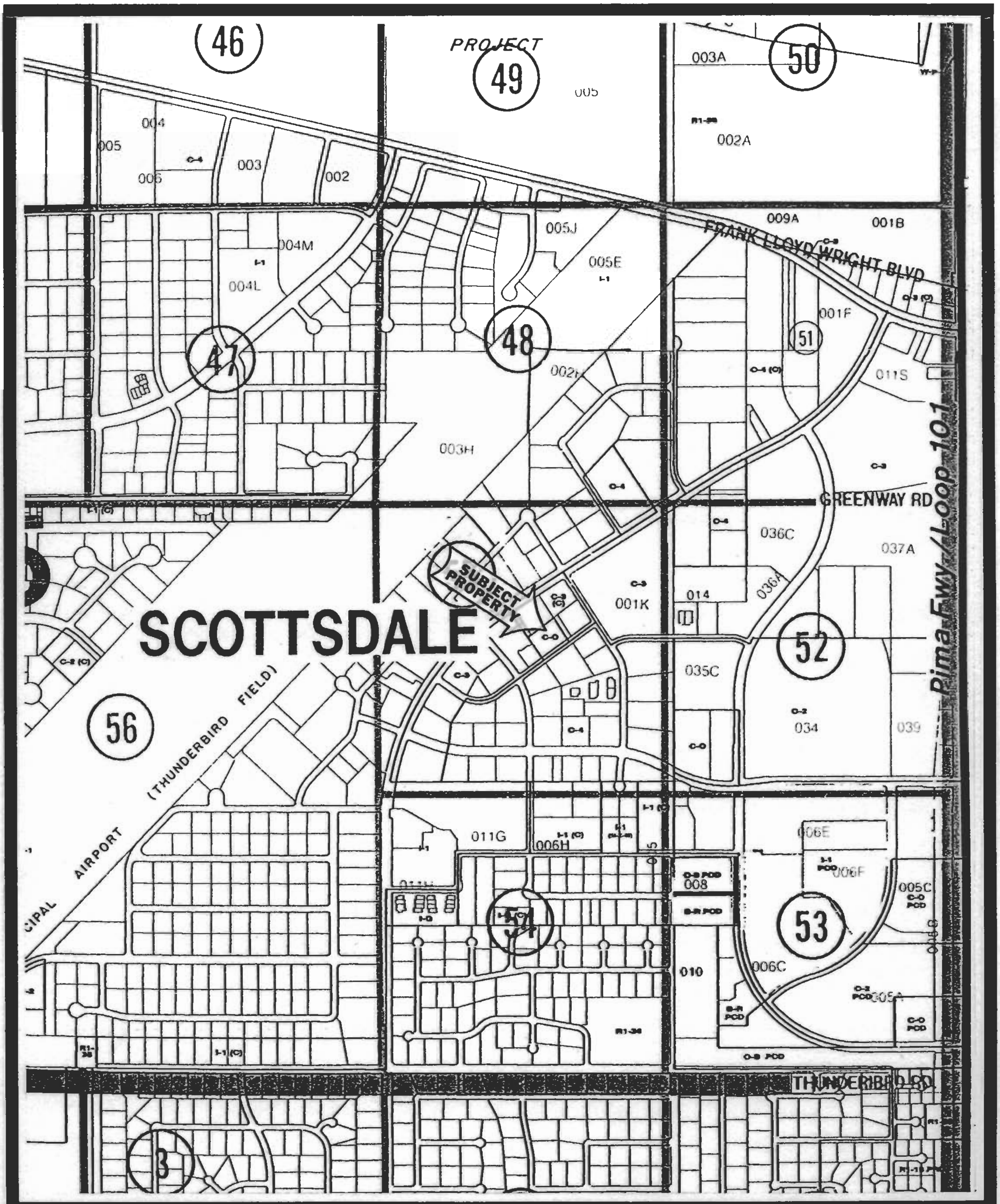
Electric	-	Arizona Public Service
Natural Gas	-	Southwest Gas
Water/Sewer	-	City of Scottsdale
Telephone	-	US West

The utilities are assumed to be adequate to serve typical uses for the site.

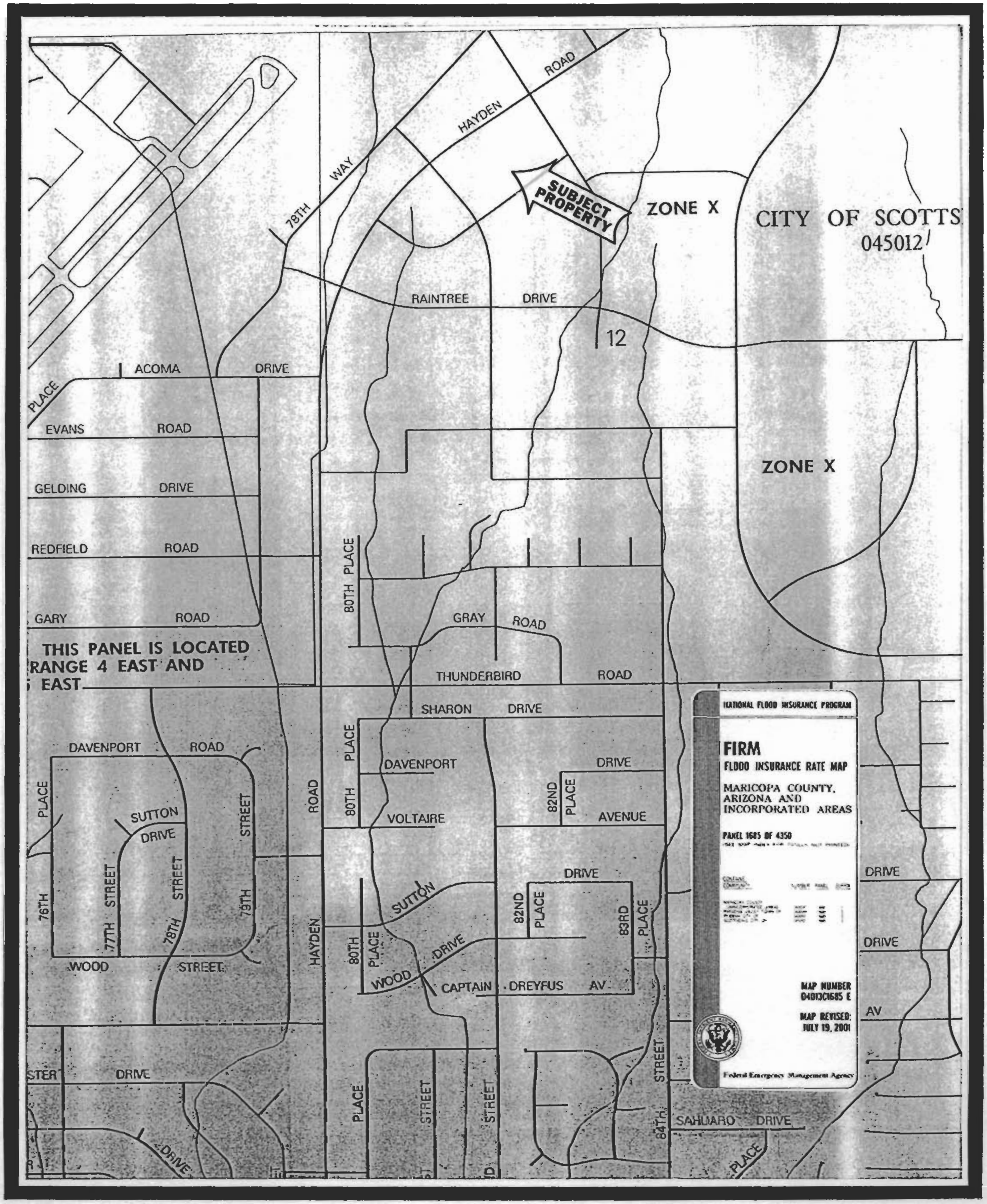
Plat Map

SCOTTSPARK BUSINESS CENTER UNIT 2
SUBJECT PROPERTY
215-55-031A
9
215-55-042
23
215-55-041C
22
215-55-043A
24
1.244 AC
215-55-041F
215-55-017B
215-55-041E
215-55-017A
15
1.838 AC
215-55-040A
21
215-55-044
25
215-55-018A
16
215-55-018B
215-55-046
27
215-55-045
26
215-55-019
17
83RD
PLACE
BUTHERUS
DRIVE
82ND
SCOTTSDALE AUTO PLAZA CONDOMINIUM
28

Zoning Map


SCOTTSDALE
SUBJECT PROPERTY
GREENWAY RD
FRANK LLOYD WRIGHT BLVD
Pima Fwy / Loop 101
THUNDERBIRD RD
(THUNDERBIRD FIELD)
AIRPORT
PROJECT
46
47
48
49
50
51
52
53
54
56

Flood Plain Map



Zoning: C-0, Commercial Office District, under the jurisdiction of the City of Scottsdale. This district is intended to provide an environment desirable for and conducive to development of office and related uses adjacent to the central business district or other major commercial cores. In addition, certain other kinds of uses are permitted under conditions and standards which assure their compatibility with a general concentration of office use as well as with the medium and high density residential districts which will often adjoin the C-0 district. This district will generally serve to provide a transition from, and occur between, the commercial core and residential districts. Permitted uses include a variety of office uses, laboratories, studios, hospitals, schools, limited retail uses, and various service uses. Reference is made to an excerpt copy of the zoning ordinance within the addenda of this report.

Flood Zone: The site is within a Zone X, per Federal Emergency Management Agency, FIRM Panel No. 04013C1685E, effective date 7/19/2001. Properties with Zone X designation do not require flood insurance. Zone X is defined as areas of a 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood.

Restrictions/Easements: No unusual restrictions governing use or development flexibility of the property are known to exist, beyond those associated with zoning, flood plain, and normal public utility issues.

Special Assessments: No special assessment payment liabilities are known to exist.

Soil, Subsoil, Environmental Concerns: Unless otherwise stated in this report, the existence of hazardous substances including, without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the properties, or other environmental conditions, were not called to the attention of, nor did the appraiser become aware of such, during the appraiser's inspection. The appraiser is not qualified to test for hazardous substances or conditions. For the purposes of this report, it is assumed that the subject property is not impacted by the presence of any environmentally hazardous conditions, which may impact marketability or value.

Assessment and Taxes: According to the Maricopa County Assessor's Office and the County Treasurer's Office, the subject property is assessed as one parcel. The 2003 assessed value and property taxes are on the following chart.

Tax Parcel No.	Full Cash Value	Limited Value	2003 Taxes	Status
215-55-040A	$761,000	$553,684	$0	Exempt[1]

A comparable analysis of property taxes of improved properties with somewhat similar characteristics to those of the subject property, has been conducted to provide a basis of evaluating the property tax liability for the subject property. The results are listed on the following table.

Property Address/Assessor's No.	Total Building (S.F.)	2003 Taxes	Taxes/S.F.
14631 North Scottsdale Road 215-56-019	37,838	$87,655.16	$2.32
8383 East Evans Road 215-54-078	9,308	$22,500.98	$2.34
15190 North Hayden Road 215-55-070	7,250	$20,845.74	$2.88
Subject Property: 8230 East Butherus Drive 215-55-040A	13,246[2]	Exempt	---

The estimated property tax liability for the subject property, as if under private ownership is equivalent to $2.50/s.f., totaling approximately $33,000.

[1] Exempt, because of public ownership

[2] Public record does not indicate a building size for the improvements.

IMPROVEMENTS DESCRIPTION

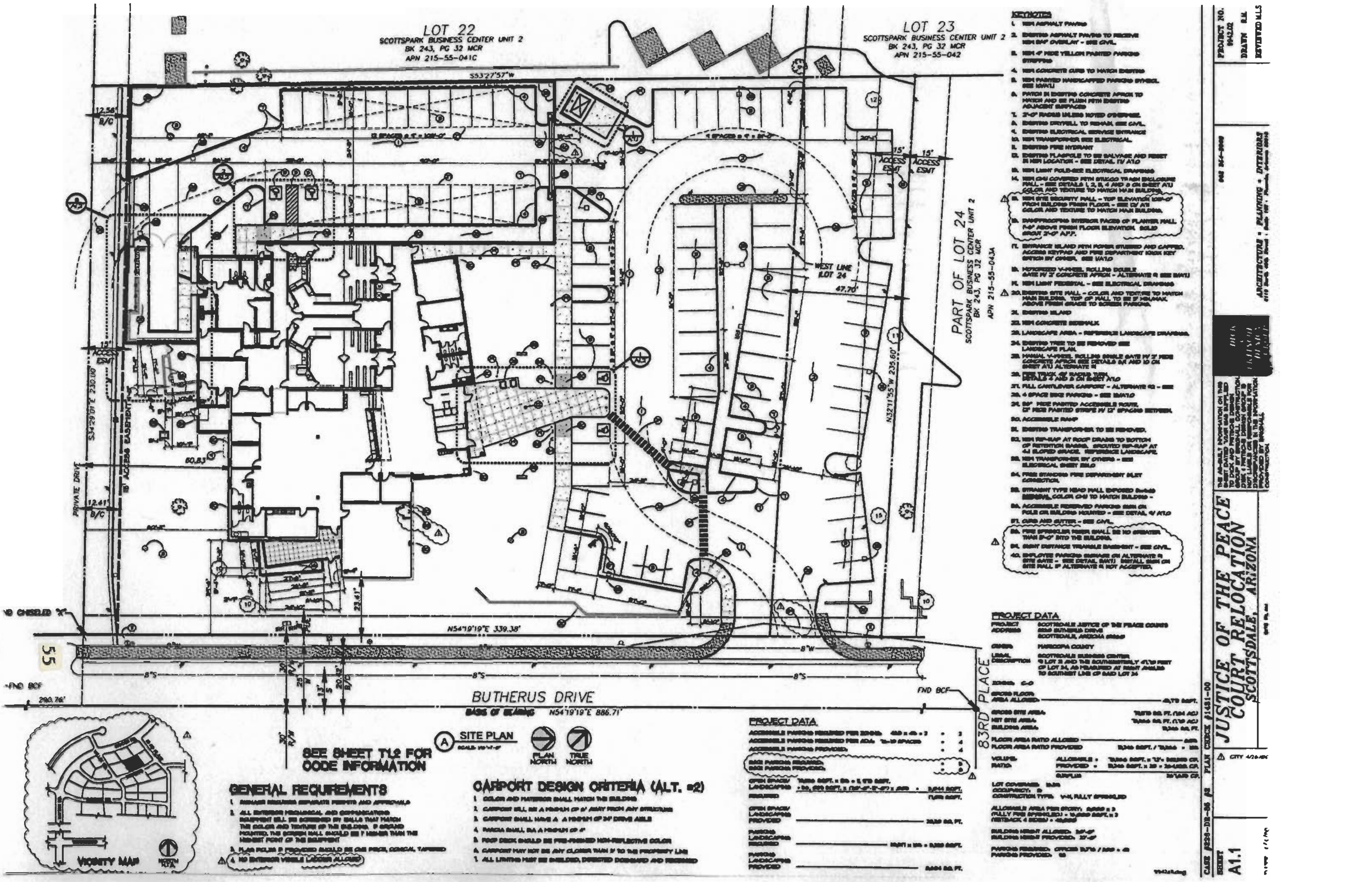
Introduction

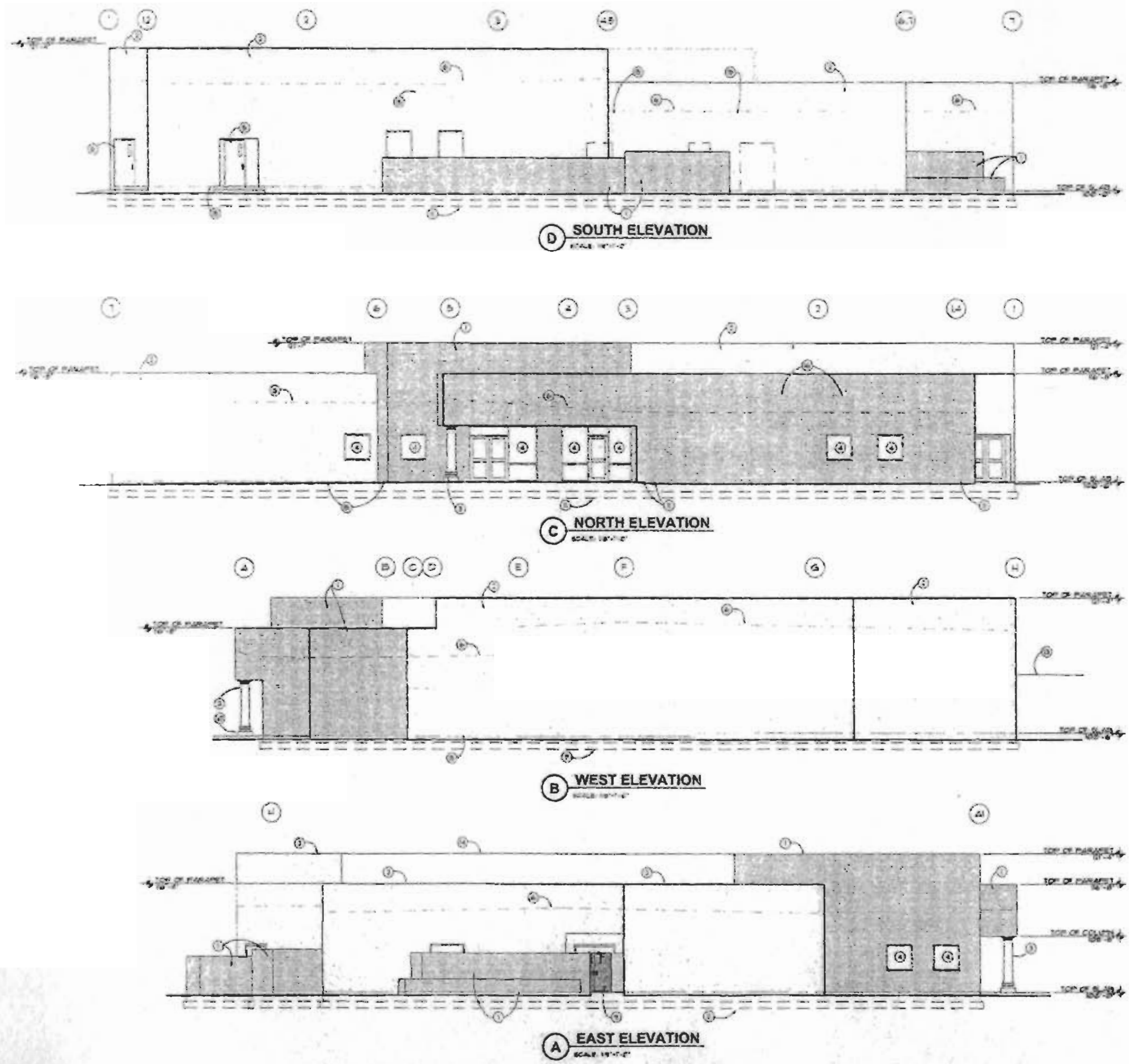
The subject property improvements consist of a single story commercial building, containing 13,246 s.f., initially built in 1987, then enlarged and remodeled in 2000. The original structure contained 5,482 s.f., and a 7,764 s.f. addition was completed in 2000. The building is constructed at approximately grade level, with a concrete slab floor, masonry exterior walls, and wood frame panelized roof system with built-up roof surface. The building is currently configured for a single user. It is currently used for administrative office, courtroom, and customer service uses. The building utilizes approximately 17% of the site area. Open site areas provide for asphalt paved parking of 93 vehicles (one space per 142 of building area), or 7 spaces per 1,000 s.f. Landscaping is provided along the street frontage, and at various portions of the parking lot. The building description provided herein is derived based on physical inspection, and review of architectural plan exhibits drawn by Dick & Fritsche Design Group, Project No 9942.02, included on the following pages. Reference is made to photographs of the property, beginning on page 6 of this report.

General Layout and Description

The subject property improvements physically occupy approximately 17% of the site. The project is accessed by two driveway entrances from Butherus Drive. The front entrance to the building, which is the primary public access to the building, is on the northwest side of the building, facing the main part of the parking lot. Additional exterior access is provided on other sides of the building such as that of a side patio area, and rear secured access area used as a prisoner loading area, where a small area of the parking lot is secured due to enclosure by chain link fencing and gates. The building itself has interior partitioning to accommodate a front lobby and customer service counter area, with 2 courtrooms in the center and north portions of the building. The balance of the building is partitioned for office and storage space. Public restrooms are located adjacent to the lobby area, with additional restrooms adjacent to the courtroom. Special use portions of the building include prisoner holding cells in the northwest part of the building, with masonry interior partitions, and steel framed wire mesh doors.

The property is characterized as a good quality commercial building, which currently accommodates court use, but it readily adaptable for other types of uses, such as professional office space. The building appears to be well maintained.


LOT 22
SCOTTSPARK BUSINESS CENTER UNIT 2
BK 243, PG 32 MCR
APN 215-55-041C
LOT 23
SCOTTSPARK BUSINESS CENTER UNIT 2
BK 243, PG 32 MCR
APN 215-55-042
PART OF LOT 24
SCOTTSPARK BUSINESS CENTER UNIT 2
BK 243, PG 32 MCR
APN 215-55-043A
WEST LINE LOT 24
N32°11'55"W 235.60'
S53°27'57"W
S54°29'01"E 230.00'
PRIVATE DRIVE
15' ACCESS EASEMENT
N54°19'19"E 339.38'
BUTHERUS DRIVE
BASIS OF BEARING N54°19'19"E 886.71'
83RD PLACE
FND BCF
290.76'
A SITE PLAN
PLAN NORTH
TRUE NORTH
SEE SHEET T1.2 FOR CODE INFORMATION
GENERAL REQUIREMENTS
CARPORT DESIGN CRITERIA (ALT. #2)
VICINITY MAP
KEYNOTES
PROJECT DATA
JUSTICE OF THE PEACE
COURT RELOCATION
SCOTTSDALE, ARIZONA
PROJECT NO. 9942.02
A1.1
55



D SOUTH ELEVATION

C NORTH ELEVATION

B WEST ELEVATION

A EAST ELEVATION

KEYNOTES

1. 8" x 4" x 16" INTEGRAL COLOR CMU
2. STUCCO ON 8" CMU
3. PREFABRICATED CONCRETE TEXTURED HOLLOW CORE COLUMN- SEE SPECIFICATIONS
4. HOLLOW METAL WINDOW FRAME WITH 1" INSULATED GLAZING. SEE SPECIFICATIONS AND ELEVATIONS FOR LOCATIONS OF TEMPERED GLASS.
5. HOLLOW METAL DOOR FRAME AND HOLLOW METAL INSULATED DOOR. SEE DOOR SCHEDULE
6. ROOF LINE BEYOND
7. CONTROL JOINTS
8. EXPANSION JOINTS
9. METAL GATE-SEE SPECIFICATIONS
10. 1" CONCRETE COLUMN BASE-SEE SHEET .
11. FOUNDATION AND FOOTINGS-SEE STRUCTURAL DRAWINGS FOR NEW AND EXISTING FOOTING LOCATIONS AND SIZES
12. NEW EXTERIOR LIGHT FIXTURE-SEE SITE PLAN
13. 8" CMU SCREEN WALL
14. PARAPET WALL BEYOND
15. ROOF AND OVERFLOW DRAINS
16. 1" INSULATED GLASS WINDOW BEYOND - SEE ROOF PLAN FOR LOCATION

PROJECT NO.
DRAWN
REVIEWED

SCHEMATIC
NOT FOR
CONSTRUCTION
USE

ARCHITECTURE • PLANNING • INTERIORS

DICK & FRITSCHE DESIGN GROUP

JUSTICE OF THE PEACE COURT RELOCATION SCOTTSDALE, ARIZONA

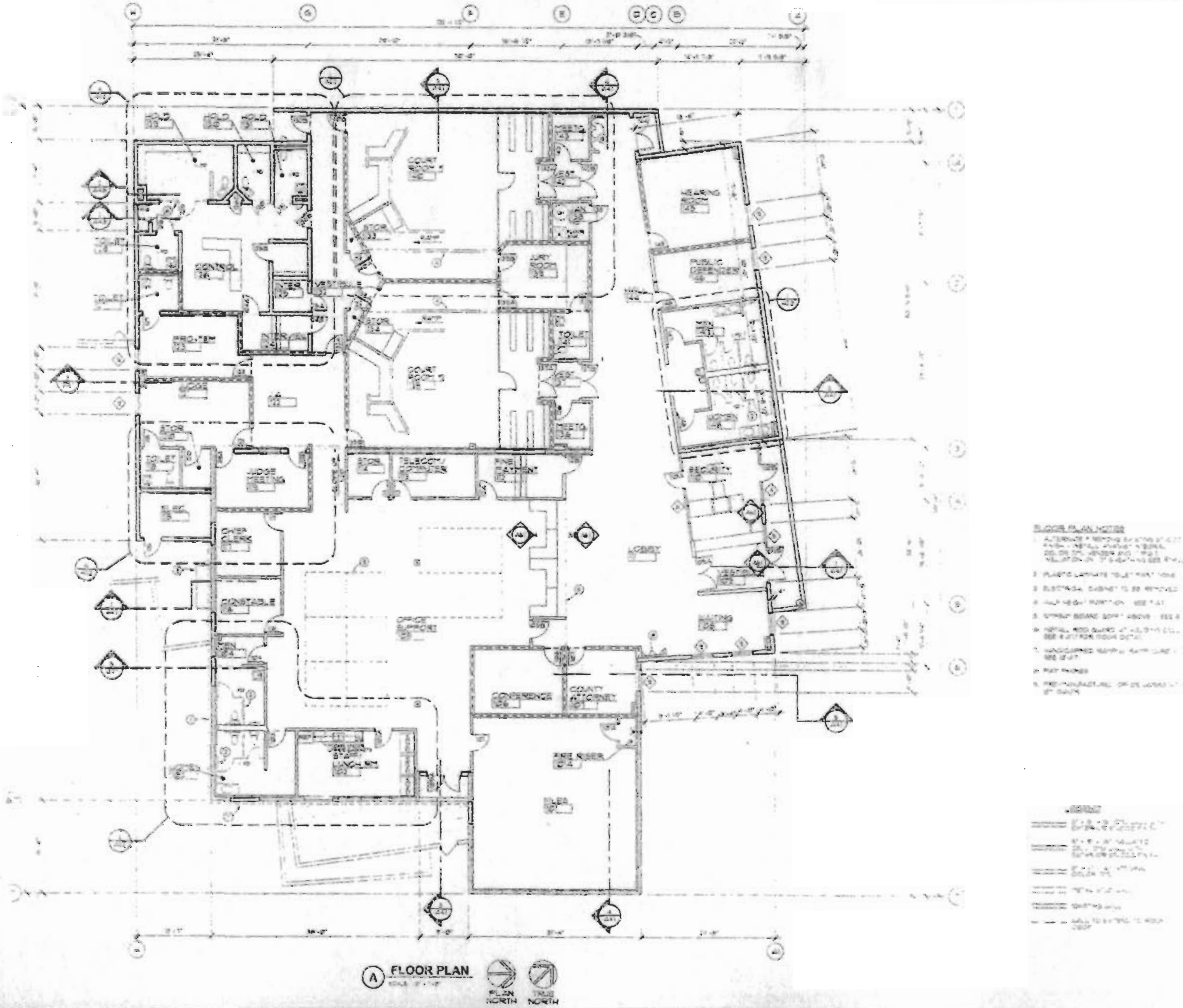
EXTERIOR ELEVATIONS

CONSTRUCTION DOCUMENTS 50%

SHEET A3.1

PHASE A

DATE 1/18/00



A FLOOR PLAN

PLAN NORTH

TRUE NORTH

SCHEMATIC

NOT FOR CONSTRUCTION

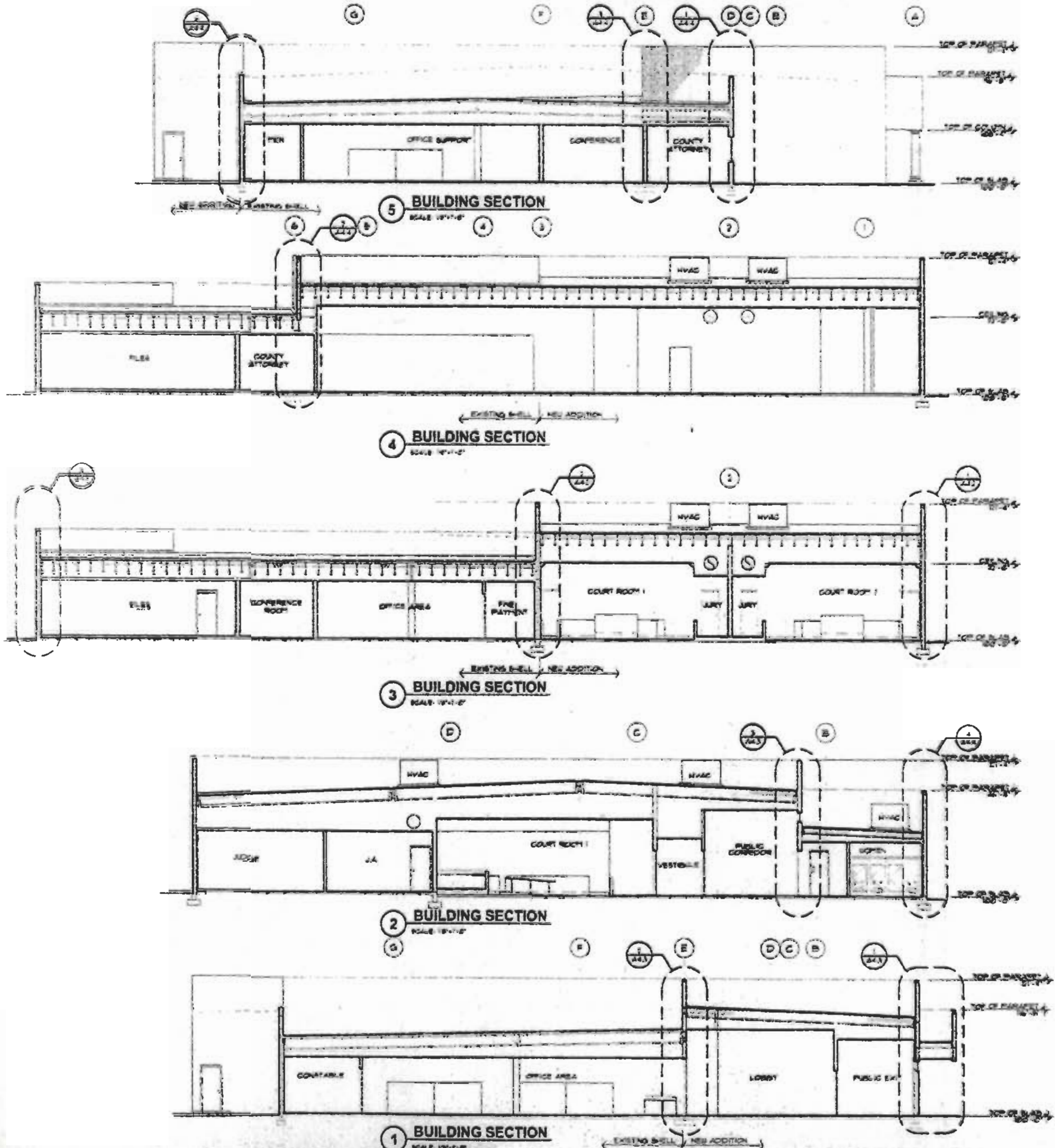
JUSTICE OF THE PEACE COURT RELOCATION SCOTTSDALE, ARIZONA

FLOOR PLAN

A

A2.1

57



58

PROJECT NO.
DRAWN
REVIEWED

SCHEMATIC
NOT FOR
CONSTRUCTION
USE

ARCHITECTURE • PLANNING • INTERIORS

DICK & FRITSCHE DESIGN GROUP

JUSTICE OF THE PEACE
COURT RELOCATION
SCOTTSDALE, ARIZONA

CONSTRUCTION DOCUMENTS 50%

PHASE A

SHEET A4.1

DATE 1/18/00

The improvements as of current date, have an effective age of approximately 4 years. This considers the age of the small portion of the building built in 1985, and the significant building expansion and renovations in 2000. The improvements appear to have been well maintained, with a excellent level of maintenance. No obvious signs of significant physical deterioration are evident, beyond those items associated with routine maintenance. The property improvements have a remaining economic life of approximately 35-40 years.

Basic Construction Features

Foundation & Footings:	Concrete reinforced footings along bearing walls.
Floors:	4" concrete slab over ABC fill, grade level elevation.
Exterior Walls:	Masonry walls, with integral colored block, or painted stucco surface.
Roof:	Wood frame roof deck, supported by glu-lam beams and steel pipe columns, with built-up roof surface, on plywood sheathing.
Interior Partitions:	Metal stud frame, drywall covered, taped and painted. Masonry partitions in the holding cell area.
Floor Coverings:	Combination of carpet and tile in office and restroom areas. Terrazzo in the lobby area. Exposed sealed concrete in the prisoner holding area.
Ceilings:	Combination of painted drywall, and suspended 2x4 ceiling panels in most areas, with recessed fluorescent and incandescent lighting.
Doors and Windows:	Building entrance areas have glass doors in aluminum frame entry doors, in metal doorframes, for public access areas. Hollow core steel doors at other entries. Exterior windows are fixed position glass windows in metal frames. The interior doors are solid core doors in metal frames.
Plumbing:	One men's, and one women's restrooms, adjacent to the lobby. Additional restrooms adjacent to the courtrooms, and at the rear of the office area. Single fixture stainless steel toilets in the prisoner cells. Exterior landscape sprinklers.
Electrical:	110/208 volt, 3 phase, 4-wire service.
Heating and Cooling:	Roof mounted air conditioning and heat units.
Fire Protection:	Fire sprinklers.

HIGHEST AND BEST USE

Highest and best use is defined as follows:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the Highest and Best Use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability."[1]

The test of highest and best use is analyzed independently for a property as if vacant, and then as improved, as the conclusions may differ. The existing use of an improved property may continue to be maximally productive even if inconsistent with the highest and best use of the land, until such time that land value exceeds value of the overall property as it exists, plus demolition or modification costs. Perception of highest and best use may change over time, subject to changing influences of competitive market conditions, community tastes, land use requirements (i.e., zoning), investment motivations, local demographic composition, condition/adaptability of the property itself, etc.

The highest and best use if both the land, as if vacant, and the property as improved, is analyzed via the four criteria as indicated in the preceding definition. The highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. These criteria are usually examined sequentially recognizing that the factors are interrelated. The general thought process involved with highest and best use determination includes consideration of the type of use for which a property may be applied (such as commercial, versus industrial, versus residential, etc.), and the intensity of the land use (measured by factors such as permitted and practical project density, building height, etc.). Present, proposed, and reasonable alternative use scenarios are examined when applicable, based on questioning the legality of an individual use per zoning and known deed restrictions, and physical possibility of a use as it can be accommodated on a particular site, or within a structure. The appropriateness of use based on compatibility with other uses is also examined, as well as conformity with development trends, and feasibility of the use from a risk and return on investment standpoint.

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[1] *The Dictionary of Real Estate Appraisal*, The Appraisal Institute, Fourth Edition 2002, page 135.

Analysis, As If Vacant

Legally Permissible: The subject parcel is zoned C-O, Commercial Office District, which permits a wide variety of office uses, plus limited commercial and service uses.

Physically Possible: The subject larger parcel contains 1.838 acres, with frontage on Butherus Drive, Scottsdale. The site is rectangular in configuration, without significant traffic exposure. All public utilities are available to the site. The subject's size, shape, and location, permit a reasonable degree of design flexibility that is typical of various types of commercial uses within the neighborhood.

Economically Feasible: The concept of financial feasibility of contemplated use of the subject site for various types of uses, per zoning and long range planning compatibility, is directly related to the current strengths and weaknesses of the market for various types of commercial and industrial properties within the competitive market area. The local commercial and industrial segments of the real estate industry had recently emerged from a previously sluggish period in terms of general marketability, however the sluggish conditions have since returned. The Phoenix metropolitan area real estate market has been in a sustained growth stage of a real estate cycle, following a recovery phase in the early to mid 1990's. This had occurred in response to over-building, which occurred in the mid to late 1980's, which was accompanied by slow response from various users to secure lease space because of a perception of slow/stagnant economic activity. An additional factor previously influencing the market, was a period of distressed financial operation of major lending institutions operating in the Phoenix metropolitan area. The impact of adverse factors has substantially declined, as the inventory and impact of distressed properties is nearly eliminated, financial institutions are now much stronger, and the economy has improved. Real estate oversupply conditions had been virtually eliminated as of the late 1990's into 2000, in nearly all segments of the real estate market. Most recently, the local and national economy have experienced weaknesses, impacted by a variety of factors including the 9/11 events, which has moderated real estate growth progression, and impacted moderate to significant increases in vacancy levels in several property types.

This discussion began by indicating that the legally permissible use of the site is for commercial office use. It has physical characteristics, which allow for a significant degree of flexibility in potential design and size of possible building improvements. Consideration of office market characteristics have the greatest degree of relevance to the subject property.

Real estate inventory statistics for the office segment of the market, previously presented in the Location segment of this report indicate that office vacancies were approximately 22% in speculative (non-owner occupied) buildings as of the end of 2002. According to the Phoenix Metropolitan Office Market Report – Second Quarter 2003, prepared by the Arizona Real Estate Center, which surveys office buildings of at least 10,000 square feet with some portion being available for speculative leasing, the total metropolitan area office inventory is approximately 55,924,984 square feet. The chart below demonstrates current office market conditions in Metropolitan Phoenix, segregated by geographical region, or sub-market. The subject property is geographically located within the Northeast Suburban region, within this survey, which reported a vacancy rate of 22.4%.

OFFICE MARKET SURVEY[1]

Region	Rentable S.F.	Vacancy	Past 12 Months Absorption (S.F.)	2003 Qtr. 2 Net Absorption (S.F.)	Median Asking Rate
Central Phoenix					
Downtown	6,308,267	18.5%	-33,715	97,715	$17.50
Uptown	11,119,594	21.5%	-305,758	-92,489	$16.00
Camelback Corridor	7,570,108	17.8%	260,334	8,431	$20.00
Gateway Corridor	2,021,433	25.7%	-128,390	-58,440	$20.00
East Phoenix	982,752	24.3%	-14,251	10,285	$15.00
North Central	1,883,952	25.3%	-157,302	1,029	$18.00
Suburban					
Northeast	11,250,941	22.4%	427,066	220,592	$21.50
Northwest	6,478,082	24.8%	377,981	78,782	$18.00
Southeast	8,309,855	24.5%	525,673	14,910	$19.00
Total	55,924,984	22.0%	951,638	280,815	$18.50

[1] Source: Phoenix Metropolitan Office Market Report – Second Quarter 2003, and Prior Quarters. Published by the Arizona Real Estate Center

The subject property is identified as being within the Northeast Suburban region. This region is comprised of a total of 11,250,941 s.f., with a vacancy rate of 22.4%. The overall Northeast area has experienced a modest net positive absorption of 427,066 s.f., over the past year. This submarket is one which continues to add inventory at a steady rate, as it is regarded as on of the premier locations in the metropolitan area for company relocation. The office segment of the overall real estate market has experienced the most significant negative influence from the difficult economic conditions which evolved over the past one to two years, compared to other product types. Statistics from other reliable sources, such as Grubb & Ellis Company, indicate contraction in the office market, and a minimal levels of net overall absorption. A modestly active market continues to exist, however the inventory of available properties has also increased, leading to some decline (rather than continual increases) in lease and sale pricing. The market has experienced an initial degree of price discounting, and further fluctuations are anticipated to occur, pending renewal of stronger regional and national economic conditions. The specific impact on the local real estate market, from the economic turbulence attributed to recent U.S. terrorism attacks, is difficult to individually segregate, but that influence represents a risk which may have a continuing negative impact.

We conclude that properties in this area are generally compatible for consideration of a variety of development projects from an economic feasibility perspective, but on a selective use basis at this time.

Maximally Productive: The subject property is compatible for commercial office use. A reasonable site coverage ratio of approximately 20-30% is usually achievable for office use; this equates to a potential building project size within the range of 16,000 to 24,000 s.f. for the subject site.

Conclusion: The combination of these factors leads to the conclusion that the highest and best use for the subject site, as if vacant, is for commercial office use.

Analysis as Improved

Legally Permissible: As indicated in the first part of this analysis, the site is zoned for commercial office use.

Physically Possible: The improvements consist of a single level office building, containing an area of 13,246 s.f. The structure was significant built/enlarged in 2000, however a portion was originally built in 1985, and renovated in 2000. The building is currently occupied by a single governmental user, for courtroom and administrative office use. The overall property is analyzed as if it is marketable to a similar governmental user, or to alternative private sector users. The building does not have use or location characteristics which make it particularly attractive to any one particular type of user, however, the local submarket area is highly attractive to a variety of office uses. The contemporary style, and contemporary design features of the building make it compatible for a single user office entity, however it could be partitioned for more than one user. The site has partitioning in place for courtroom areas, which could be segregated into office space if needed. A small component of the building in the northwest segment, is partitioned for prisoner holding cells; this portion of the building is likely to be adapted for alternative commercial office use by an alternative user. It is assumed that this can be accomplished without significant problems, simply by removing interior masonry partitions, which are assumed to be non-bearing. The overall property has a high intensity of parking availability, at a ratio of 7 spaces per 1,000 s.f. of building area. This allows for a labor intensive use. Alternatively, the building has the potential for expansion by 10-20%, if a portion of the parking area were to be utilized for increased building footprint area.

<u>Financially Feasible:</u> Logical progression in the highest and best use analysis of the subject property as improved, recognizing legally permitted uses, and specific office design features of the property as improved, narrows analysis of use options to general office use. The office segment of the real estate market is extremely competitive at this time, due to excess vacancies and modest absorption. This local submarket area has been particularly strong relating to the marketability of office condominiums, and small to moderate sized free standing office structures, for single use occupancy. The subject property has a building size which is highly marketable to a variety of moderate sized office users. Its contemporary design features (pending interior modification to suit a particular users needs), ample availability of parking, and strong location characteristics allow it to be highly marketable. The value potential of the property as improved, is well above that of the underlying land value.

<u>Maximally Productive:</u> As previously indicated, typical site coverage ratios for commercial improvements compatible with that of the subject property and those in the local market area, generally range from 20-30%. The subject improvements indicate a site coverage ratio of 17%, which is below that range. It is conceivable that the existing improvements on the site could be expanded to increase the site coverage ratio.

<u>Conclusion:</u> After examining the various pertinent aspects of the subject property, the use of the property for office use represents the highest and best use, as improved. The property is considered to have its highest level of marketability as a owner/user building.

APPRAISAL PROCESS

Estimation of the value of the subject property, as defined in this report, as of the indicated date of value, has been approached utilizing guidelines set forth in the *Uniform Standards of Professional Appraisal Practice* adopted by the Appraisal Standards Board of the Appraisal Foundation, and the Appraisal Institute. This involves analysis of the property, as if utilized under the concept of highest and best use, via three techniques or approaches to value, yielding value indications. The appraiser utilizes his experience and objective judgment in reconciliation of the value indications, leading to a conclusion of estimated property value.

The three approaches to value are commonly known as:

(1) The Cost Approach, wherein the value of the land, as if vacant, is estimated and added to the depreciated value of the improvements;

(2) The Income Approach, wherein the net income attributed to the property, as if operating at a stabilized occupancy level, has been estimated and correlated to value by a direct capitalization technique, with consideration given to a yield capitalization technique.

(3) The Sales Comparison Approach, wherein sales of properties have been researched, which have similar design characteristics or similar cash flow/investment potential characteristics which provide a basis for direct comparison to the subject.

Each of these approaches has been considered in the analysis of the subject property as presented in the following sections of this report.

COST APPROACH

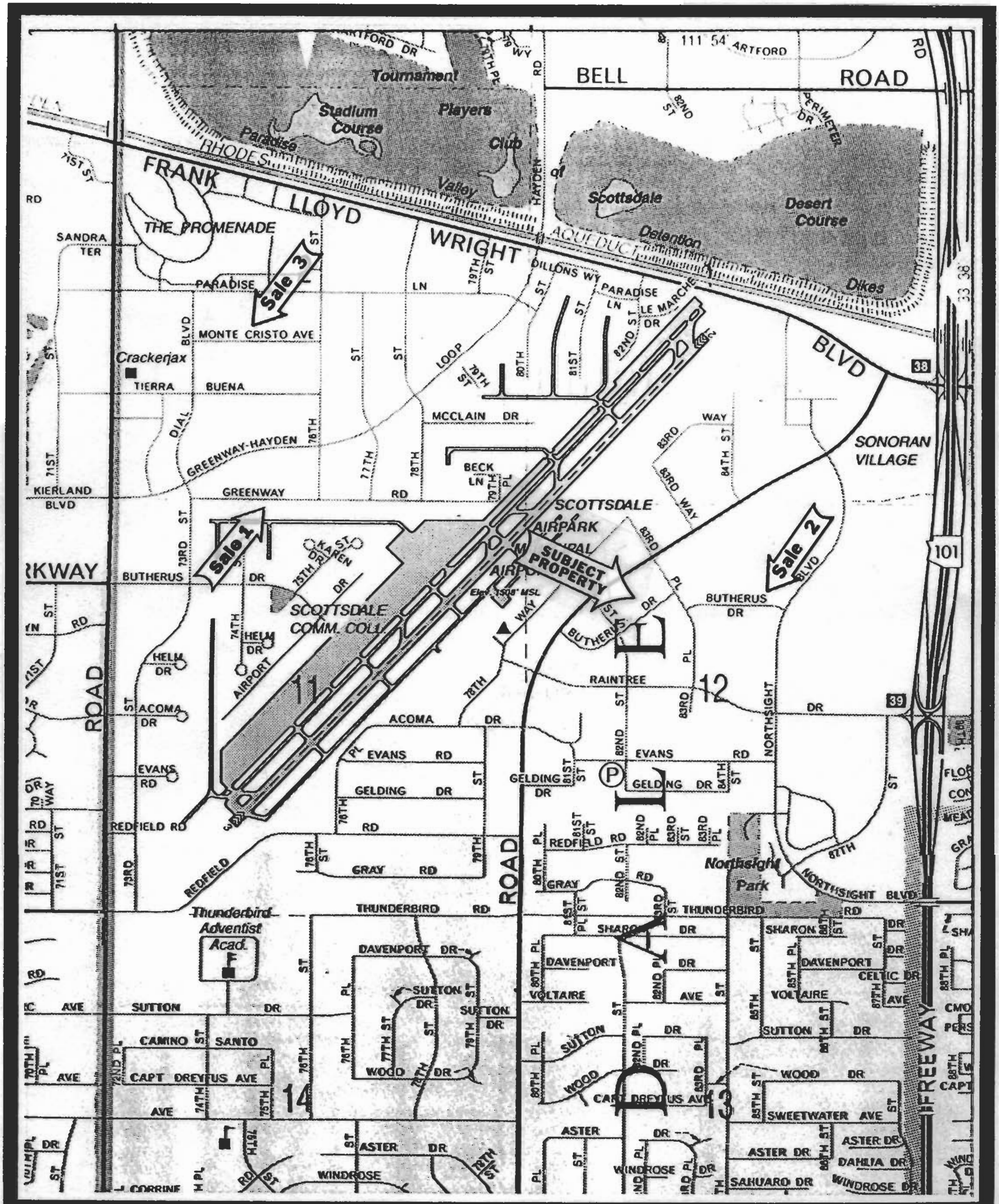
The Cost Approach is a valuation method based primarily on the principle of substitution, in which an informed purchaser is not justified in paying more for a property than the cost of producing a substitute property with equal desirability and utility as the subject property, assuming no special influences exist, and no undue delay. This approach has it's highest degree of reliability when relatively new improvements are involved, with small or minimal influence from accrued depreciation, where the improvements represent the highest and best use of the site. The procedure utilized in this analysis involves:

1. An estimation of land value, as vacant.
2. An estimation of the replacement cost new of the improvements, including direct and indirect costs to achieve stabilized operation.
3. An estimate of accrued depreciation from all sources. These sources include physical deterioration (physical wear and tear plus actions of the elements), functional obsolescence (diminished utility to marketability due to design constraints, layout and/or style), and economic obsolescence (loss in value potential due to factors extraneous to the property, i.e., neighborhood or development trends/transition).
4. Land value is added to replacement cost new less accrued appreciation to indicate value of the property via the Cost Approach.

Land Value

The estimation of value for the subject site, as if vacant, is based on direct sales comparison. A search of the public records was made, along with an investigation in the area for sales of land, which could be used as a guide. The data found is detailed and discussed on the following pages. A sales map is included on the next page, indicating the locations.

Land Sales Map



LAND SALE COMPARISON 1

Identification:

Type:	Land Parcel (.803 acres = 35,000 s.f.)
Location:	South side of Greenway Road, approximately 1,050 feet east of 73rd Street, Scottsdale.
Assessor Parcel Number:	215-56-079A
Legal Description:	Lot 79, Thunderbird Industrial Park Number 3A

Transaction Data:

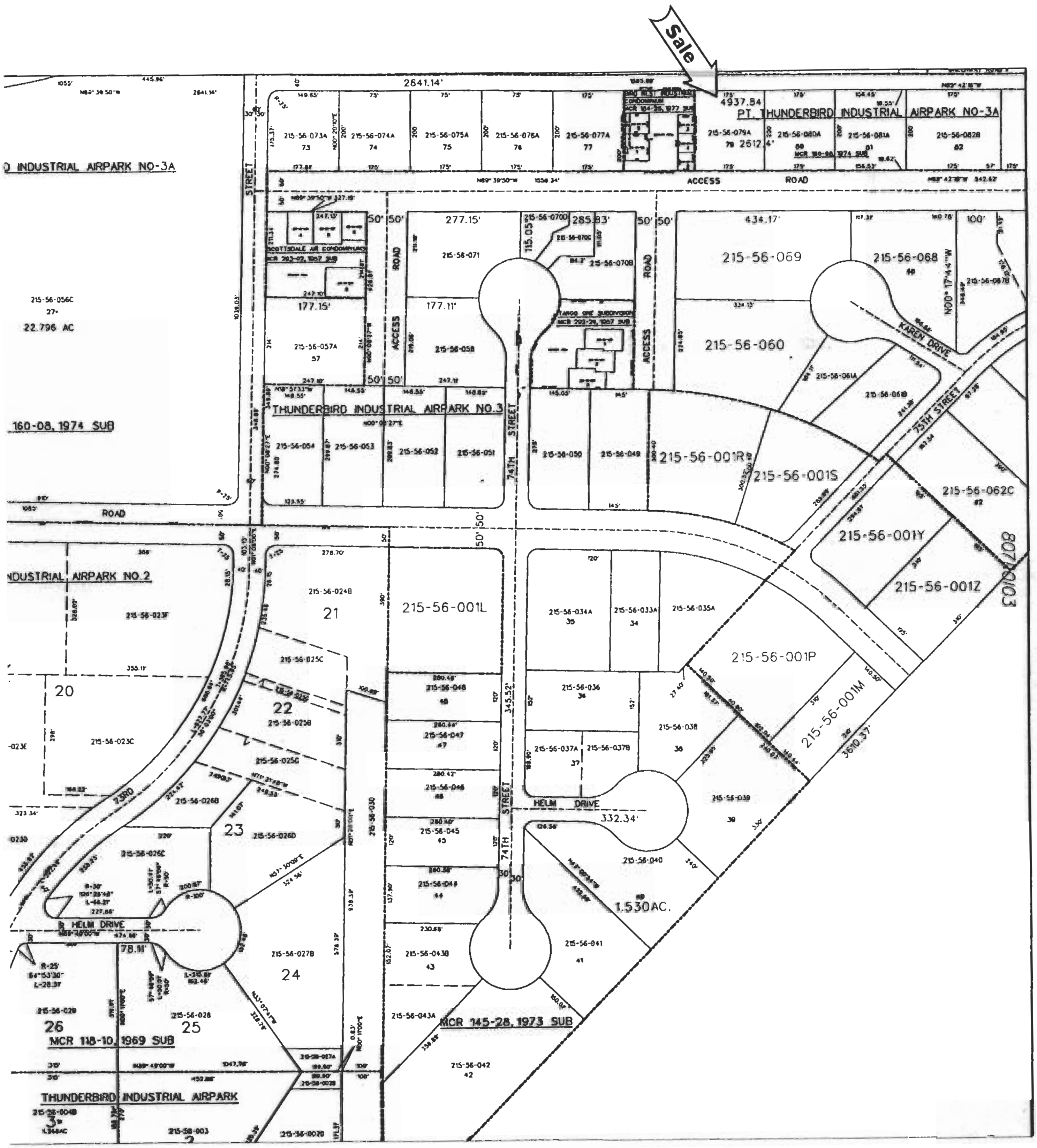
Date of Sale:	8/02
Grantor:	DMG Airport Properties
Grantee:	Aerohead Aviation
Price:	$525,000
Price Per Unit:	$15.00/s.f.
Terms:	Cash
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed/02-0825124
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known additional arms length transactions in the past three years.
Marketing Time:	Not on the market.
Confirmation:	Public Records; Buyer.

Site Data:

Size:	.803 acres = 35,000 s.f.
Shape/Dimensions:	Rectangular
Topography:	Level
Site Location:	On local access road.
Legal Access:	Evans Road.
Street Improvements:	Fully improved, except for sidewalks
Visibility:	Average
Utilities:	All public available.
Zoning:	I-1, Scottsdale.
Zoning Change:	N/A
Highest and Best Use:	Industrial Development

Comments: Buyer plans on constructing an industrial building on this site. The site has aircraft taxiway access at the rear of the property.

Sale Plat Map



<u>LAND SALE COMPARISON 2</u>

Identification:

Type:	Land Parcel (1.22 acres = 53,143 s.f.)
Location:	North side of Butherus Drive, approximately 250 feet west of Northsight Boulevard, Scottsdale.
Assessor Parcel Number:	215-52-002D
Legal Description:	Portion of the S2 SW4 NW4 NE4 Sec 12 T3N R4E.

Transaction Data:

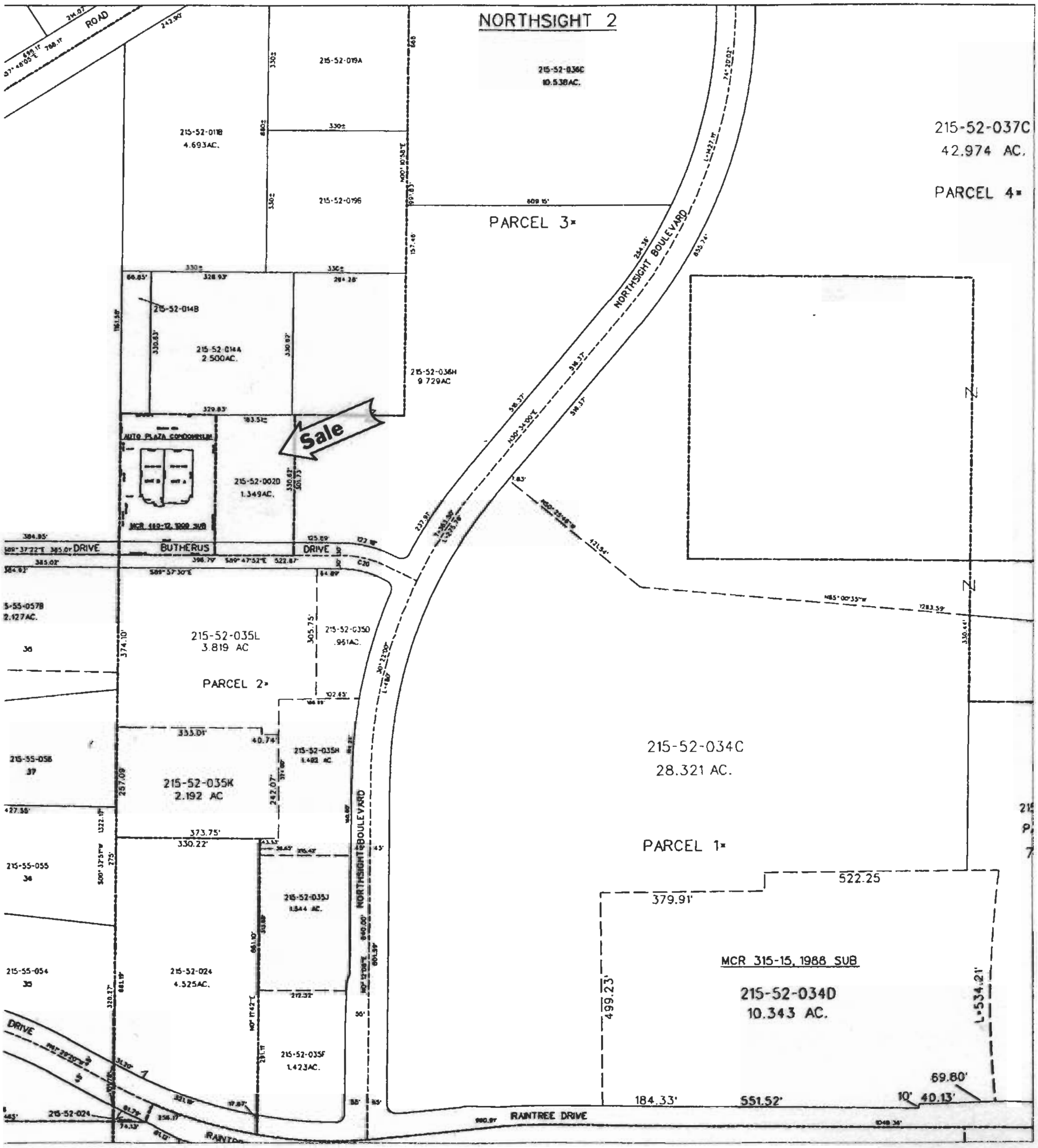
Date of Sale:	5/02
Grantor:	Nancy Kinney MacBeth Trust (et al)
Grantee:	North Scottsdale Automotive, LLC
Price:	$775,000
Price Per Unit:	$14.58/s.f.
Terms:	Cash to Seller, Buyer paid $193,000 down and financed $582,000 with Home National Bank, terms not revealed.
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed/02-0563782
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known additional arms length transactions in the past three years.
Marketing Time:	One year.
Confirmation:	Public Records; Daum Commercial Industrial Real Estate, Michael Wallis, 602-957-7300.

Site Data:

Size:	1.22 acres = 53,143 s.f.
Shape/Dimensions:	Rectangular
Topography:	Level
Site Location:	On neighborhood street.
Legal Access:	Butherus Drive.
Street Improvements:	Fully improved, except for sidewalks
Visibility:	Average
Utilities:	All public available.
Zoning:	C-3, Scottsdale.
Zoning Change:	N/A
Highest and Best Use:	Industrial Development

Comments: Buyer is constructing an 18,000 s.f. multi-tenant industrial building on this site, partially occupied by Checker Auto Parts. The builder is LGE Corporation.

Sale Plat Map



LAND SALE COMPARISON 3

Identification:

Type:	Land Parcel (1.705 acres = 74,250 s.f.)
Location:	North side of Monte Cristo Avenue, approximately 500 feet west of 76th Street, Scottsdale
Assessor Parcel Number:	215-44-037
Legal Description:	Lot 20, North Scottsdale Air Park Unit 6

Transaction Data:

Date of Sale:	2/01
Grantor:	Old Republic Exchange Facilitator Company
Grantee:	LGE Corporation
Price:	$1,188,000
Price Per Unit:	$16.00/s.f.
Terms:	Cash to Seller, Buyer financed $416,000 and financed $772,000 with Sonoma National Bank, terms not revealed.
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed/01-120510
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known additional arms length transactions in the past three years.
Marketing Time:	Not on the market.
Confirmation:	Public Records; Buyer.

Site Data:

Size:	1.705 acres = 74,250 s.f.
Shape/Dimensions:	Rectangular
Topography:	Level
Site Location:	On neighborhood road.
Legal Access:	Monte Cristo Avenue.
Street Improvements:	Fully improved, except for sidewalks
Visibility:	Average
Utilities:	All public available.
Zoning:	I-1, Scottsdale.
Zoning Change:	N/A
Highest and Best Use:	Industrial Development

Comments: Buyer purchased this land for the intentions of building a single tenant industrial building on this site.

Sale Plat Map

Sales Discussion

The transaction data outlined on the prior pages is summarized below:

Sale	Date	Price	Size(Ac.)	Price/S.F.	Zoning
1	8/02	$525,000	.803	$15.00	I-1
2	5/02	$775,000	1.22	$14.58	I-1
3	2/01	$1,188,000	1.705	$16.00	I-1
Subject			1.838		C-O

Our investigation regarding comparison sales information revealed a selection of land transactions in the general competitive area of the subject property. Adjustments to the sales are made to the comparable unit price, measured by price per square foot of net land area. The following factors are given principal consideration:

A. Property rights conveyed.
B. Market factors/time adjustment.
C. Financing terms/cash equivalency.
D. Conditions of sale.
E. Location.
F. Size.
G. Zoning.
H. Other property characteristics.

Property Rights Conveyed:

Each of the sales involved transfer of fee simple interest. This is the premise under which the subject site is analyzed, therefore no adjustment for this factor is necessary.

Market Conditions:

The sales occurred within approximately the past two years. This has been a generally stable time period involving investor and user value perceptions and expectations, following a prior time period of significant increases. A moderate degree of development activity has occurred in this local market area, and finished lots are in relatively short supply. No significant adjustments are applicable for changes in market conditions.

Financing Terms/Cash Equivalency:

Each of the transactions is analyzed to determine if financing associated with the sales created a favorable or unfavorable negotiating position for either party, such as by comparing financing terms to market rate terms from institutional sources as an alternative to cash. In this analysis, each of the sales were cash transactions to the seller, or involved financing reflective of market conditions, therefore no cash equivalency adjustments are considered appropriate.

Conditions of Sale:

The motivations of buyers and sellers are analyzed to determine if the transactions occurred under atypical conditions. It is a noted characteristic of the marketplace that some parcels in various submarket areas, have been previously sold by lienholder entities who have acquired them via foreclosure activities, then resold at favorable prices. The questionable impact this type of transaction previously had an influence in the current marketplace, but no longer has an impact as the inventory of these sales has diminished. None of the sales utilized in this analysis occurred as a result of this type of situation, or other unusual situations. No adjustments are made for conditions of sale.

Location:

The subject property is located on Butherus Drive, near Hayden Road. This location is within a business park project, with high quality development features. This is a favorable location for potential commercial and industrial uses. This is similar to the sale properties. No significant adjustments are made based on location differential.

Access:

The subject property, as well as each of the comparison transactions, all have improved street access, on roads that are utilized for local property access. In addition, Sale 1 has aircraft taxiway access, along its south boundary, which permits the site to be used for an aviation use. A slight premium is appropriate for this access flexibility for Sale 1, relative to the subject property, resulting in a downward adjustment of unit price.

Zoning:

The subject property is zoned C-O, Commercial Office. This is a more restrictive zoning classification compared to the I-1 zoning of the other parcels. Appropriate upward adjustment is made with respect to the sales.

Size:

The subject property contains 1.838 acres. This is slightly larger than the sale comparisons, but within a relatively close range. The local market area does not indicate that a significant premium is associated with parcels which indicate a difference in size between the subject and the sales. No adjustment is utilized here.

Other Characteristics:

A variety of additional property characteristics, such as street access, utility access, flood plain influence, etc., which offer differences between the subject property and the sales, have been considered. A majority of these differences are very minor, or relatively subtle, and are not specifically addressed here.

Specific Adjustments:

A grid summarizing adjustments to unit prices of the sales discussed in the preceding paragraphs is indicated in the following chart.

LAND SALES ADJUSTMENT CHART

	SUBJECT	SALE 1	SALE 2	SALE 3
Sale Price/SF	**---**	***$15.00***	***$14.58***	***$16.00***
Property Rights	Fee Simple	Similar -0-	Similar -0-	Similar -0-
Market Conditions	-- --	8/02 -0-	5/02 -0-	2/01 -0-
Financing	---	Cash -0-	Cash -0-	Cash -0-
Conditions of Sale	---	Typical -0-	Typical -0-	Typical -0-
Net Adjustments		***-0-***	***-0-***	***-0-***
Adjusted Sale Price/SF		***$15.00***	***$14.58***	***$16.00***
Location	Good	Similar -0-	Similar -0-	Similar -0-
Access	Typical	Superior -5%	Similar -0-	Similar -0-
Zoning	C-O	Superior -5%	Superior -5%	Superior -5%
Net Adjustments		***-10%***	***-5%***	***-5%***
Final Adjusted Sale Price/SF	**---**	***$13.50***	***$13.85***	***$15.20***

The unadjusted sales range in unit price between $14.58/s.f. and $16.00/s.f. The adjusted sales range in price between $13.50/s.f. and $15.20/s.f. Based on the facts and analysis presented, the current estimate of land value for the subject site, is $14.00/s.f.

The estimated value of the subject site is calculated as follows:

1.838 Acres (80,063 s.f.) x $14.00/s.f. = $1,120,882 rounded to $1,120,000

Cost Schedule:

The factors included in the schedule on a following page are derived from a variety of sources. The primary source is the *Marshall Valuation Service*, which is a national cost reporting publication. Other sources include reported costs from recent office construction projects.

Both direct and indirect costs are utilized. Direct costs include materials and labor, and indirect costs include architect's fees and supervision, interim financing, developers profit and overhead, lease-up costs, attorney, and related fees. The calculator method of deriving costs from the *Marshall Valuation Service* includes some indirect costs such as architect's fee, and insurance during construction in the lump sum costs, while other cost items such as finance costs, developer profit and overhead, and marketing costs are separately calculated in this analysis.

Depreciation Analysis

Depreciation refers to the loss in property value from any cause; it applies here as the difference between reproduction or replacement cost of an improvement on the date of value, and the market value of the improvement on the same date. In regard to improvements, depreciation encompasses physical deterioration, plus functional and economic obsolescence.

The methods used in estimating accrued depreciation varied depending on the amount and accuracy of the information which is available. The two major methods are the *economic age-life method* (or *modified economic age-life method*), and the *breakdown method*. Either or both methods are acceptable if the appraiser applies it consistently and logically, and if the method reflects an informed, prudent buyer's reactions to the condition of the structure being appraised. The *economic age-life method* appears as a relatively simplistic approach which analyzes the ratio between the effective age and the total economic life of a building. This ratio is applied to the cost of the improvements to obtain a lump sum deduction of accrued depreciation. Many items of accrued depreciation are obscured in this method, as they are grouped together. This method might be considered weak because curable items of depreciation are not treated separately, and some building components may have shorter remaining physical lives than the total economic life of the structure. Under the *modified economic age-life method*, appraiser first estimates the cost to cure all curable items of physical deterioration due to deferred maintenance and functional obsolescence. This sum is deducted from the cost of the improvements to arrive at a percentage, lump sum deduction that covers all incurable items by applying the ratio of effective age to total economic life, to the cost of the improvements, minus all curable and functional obsolescence. This method may presume that utility of the improvements is reduced on a straight-line basis, which makes the method simple, but in some cases, unrealistic. This can be rectified by careful adjustment of the effective age, recognizing that building renovation may decrease effective age, or that buildings depreciate at varying rates over their lifetime. For example, buildings may have an initial surge in depreciation as they are initially utilized, then depreciate very little in remaining early years, depreciation may remain relatively constant in the mid-life time period of the improvements, and that the effective age of an improvement may actually become extended and the effective age may be smaller as a result of minor or major periodic upgrade. The alternative method of estimating accrued depreciation is the *breakdown method*. In this method, an appraiser analyzes each cause of depreciation separately, measures the amount of each, and then totals the estimate to derive a lump sum figure that is deducted from the estimated reproduction or replacement cost. When replacement cost is utilized, some forms of functional obsolescence are automatically eliminated. The five basic types of accrued depreciation that affect structures which apply to the breakdown method are:

1. Curable physical deterioration
2. Incurable physical deterioration
3. Curable functional obsolescence
4. Incurable functional obsolescence
5. External obsolescence (which may be temporary if caused by depressed market conditions).

For the purpose of this analysis, the breakdown method of estimating total accrued depreciation is applied. The individual factors are discussed in the following paragraphs.

1. Curable Physical Deterioration

Curable physical deterioration, also known as deferred maintenance, may be evidenced by peeling paint, wall cracks, roof deterioration, parking lot deterioration, poor operation of mechanical equipment, etc. It is possible to individually identify these items, estimate their cost to cure, then deduct them as deferred maintenance costs. In the case of the subject property, the building improvements appear to be generally well maintained. The subject property has been well maintained. Minor items of repair are addressed as routine maintenance items. No adjustments are applicable for items of curable physical deterioration.

2. Incurable Physical Deterioration

Incurable physical deterioration can be addressed as a single item, or split between short-lived items and long-lived items. A short-lived component is expected to have a remaining economic life that is shorter than that of the building structure while a long-lived item has an economic life that is the same as the overall structure. We have not individually segregated these items, because periodic maintenance and substantial recent expansion and renovation of the building has made it impossible to individually segregate the cost estimates with any degree of accuracy. Therefore, we will use an estimate utilizing an effective age of the improvements at approximately 4 years, and a total effective economic life estimate of 45 years, indicating 9%. This estimate is applied to the total cost estimate, after considering any appropriate deduction for the influence of curable physical deterioration. The cost new of short-lived items would also be a deduction if these were individually segregated, prior to estimating the cost basis for incurable physical depreciation via the age-life method.

Replacement Cost New[1]	$1,852,389
Less: Curable Physical Deterioration	-0-
Less: Cost New of Short-Lived Items	-0-
Remainder to be Depreciated	$1,852,389
Depreciation Factor (effective age) total life, 4/45=9%)	.09
Incurable Physical Deterioration	$166,715

[1] Derived from the cost summary on a following page.

3/4. Curable and Incurable Functional Obsolescence

Functional obsolescence is a loss in value caused by factors inherent within the property itself, which will lessen its functional utility. It may be evident due to inefficient design and layout, inadequacy or superadequacy of construction components and/or building equipment, etc. The functional obsolescence may be curable if the cure is cost effective, or otherwise it is rendered as incurable.

In the case of the subject property, the property has contemporary design features, and attractive appearance. It contains some interior features such as courtroom partitioning, holding cells, and a relatively large terrazzo floor lobby area, which are not likely to contribute to marketability. In addition, occupancy of the building by an alternative user, will likely require modification of interior improvement. An adjustment for these obsolescence items is included, at 10%.

5. External Obsolescence

External obsolescence, also known as economic obsolescence, is a loss in value caused by negative factors from outside the property itself, that adversely affect the desirability or useful life. This potential value loss is distinguished from physical deterioration or functional obsolescence, as these are inherent in the property itself. Examples of external obsolescence include weak market conditions which adversely impact revenue producing potential and general marketability throughout the local or regional market area, non-harmonious uses, odors, noise infiltration, etc. of adjacent properties, or changes in traffic characteristics influencing property marketability in the local area.

Previous sections of this report explained the competitive market conditions which have prevailed in this local and regional area, which have had an adverse impact on marketability and value of a variety of properties to varying degrees, over the past decade. The current market is impacted by highly competitive market conditions, due to a sluggishness in the local economy. These conditions are not pronounced enough to have a measurable bearing on the subject property in this segment of the analysis, therefore no adjustment is made here.

Cost Approach Summary

A summary of cost factors, depreciation impact, and land value, which combine to indicate value via the Cost Approach, is presented in the following table.

Cost Approach Summary

Direct Costs [1]		
Building Structure 13,246 s.f. @ $90.00		$1,192,140
Site Improvements (Landscaping, fencing, parking lot, etc.)		$ 180,000
Total Direct Costs		$1,372,140
Indirect Costs:		
Interim Financing, architect's fees and supervision, marketing cost, developer's profit and overhead, legal fees, etc. (35%)		$ 480,249
		$1,852,389
Less Depreciation:		
Physical Curable	-0-	
Physical Incurable	$166,715	
Functional	185,239	
Economic	-0-	
Total Depreciation		$351,953
Depreciated Improvement Costs		$1,500,436
Add: Land Value		$1,120,000
Indicated Value by the Cost Approach		$2,620,436
Rounded to:		$2,620,000

1) Interpolated from factors derived from the Marshall Valuation Service, Offices, Good-Excellent, with adjustments.

INCOME APPROACH TO VALUE

This approach involves estimation of property value by evaluating the present worth of future benefits derived from the ownership of the property. This is based on consistencies derived from the market place comparing value with anticipated net income streams, through indicated capitalization rates. The investment motivations of current typical real estate investors are identified, which relates to equity investment objectives and current institutional lending policies/rates, which have a bearing on analysis of capitalization rates indicated by recent sales, and estimation of an appropriate rate to be utilized here. Potential operating revenue in the subject property has been estimated based analysis of competitive property lease rates. The comparison properties typically are from general office use properties. A stabilized vacancy factor and expense items are estimated based on analysis of operating figures in the subject property, compared to operating expense information in other commercial properties, plus input from discussions with property owners and property managers. These are subtracted from the gross income to indicate potential net operating income. An applicable capitalization rate is applied to the projection of stabilized, market-supported, net operating income, consistent with competitive investment objectives and risk inherent with the property ownership, to provide a value estimate.

Current Property Operation

The subject property is designed as a single level commercial building, designed and most recently utilized as a office and court room facility. It is considered to be highly marketable for office use. It is owner occupied, and does not have a leasing history.

Lease Covenants

The leases covenants on typical, local properties in the subject area, such as the rental comparables are generally structured on a net, gross, or full service basis. In each of these different lease covenants (net, gross and full service), the difference is who pays taxes, insurance, and maintenance.

The following chart indicates typical allocation of operating expenses between the landlord and tenants, for the various lease covenants.

	Net	**Gross**	**Full Service**
Landlord pays:	No operating costs Except in vacant space.	Real Estate Taxes Insurance Maintenance	Real Estate Taxes Insurance Maintenance Utilities Janitorial
Tenant pays:	Real Estate Taxes Insurance, Maintenance, Utilities and Janitorial	Utilities Janitorial	None

The subject property will be analyzed on a net lease basis, consistent with a variety of single tenant properties in the local area. As previously mentioned, under a typical net lease covenant, the tenant pays a base lease rate, and for his electric utilities and interior maintenance, and an additional amount for other property operating expenses. Other buildings in the area are leased on a full service basis, where the tenants each pay a base lease rate, with the owner paying for other property operating expenses.

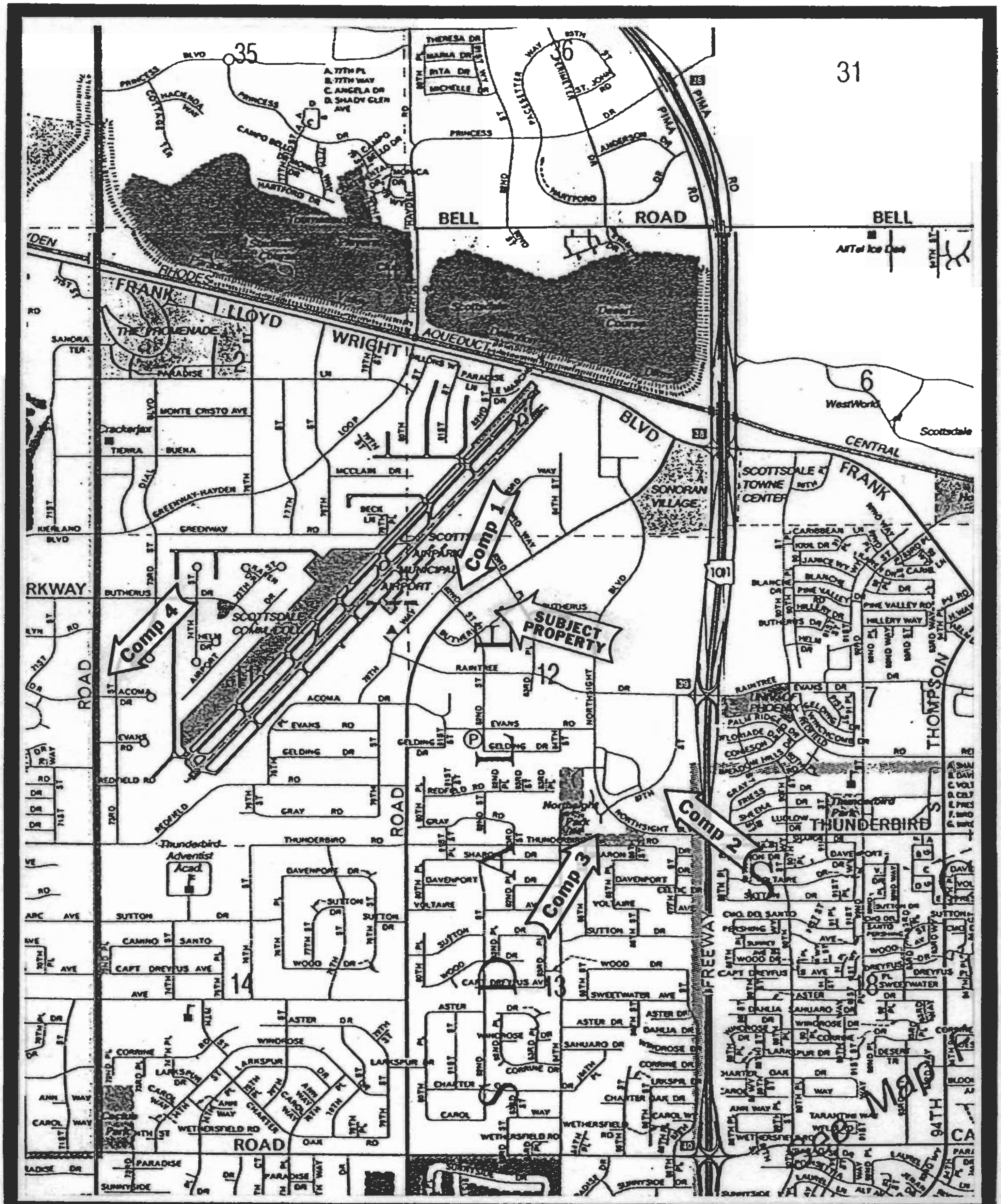
A review of competitive leasing activity indicates that effective rates may be below contract rates due to concessions such as free rent, half rent or tenant improvements offered. However, due to the moderate level of activity in the current marketplace, the impact of concessions is at a relatively low level. The overall influence of concessions has declined in recent years; it is more common that contract rates are often written at realistic base levels with low amounts of concessions being given. In some circumstances owners had been giving "up front" free rent only to have tenants vacate the premises prior to the lease expiration date. This is not a particularly strong issue here as concessions are not typical in this submarket area for this product type. The rates quoted in our survey are considered to be effective rates, taken from recently negotiated leases and asking rates of competitive properties in the subject's market area. Primary factors influencing comparison and analysis of the lease rates include location, design, exterior appeal, use flexibility, size, etc.

Estimate of Market Rent

An investigation of lease rates and leasing activity in properties within the competitive market area in the local area has been conducted, to provide a basis of estimating market lease rate.

A summary of the lease rate information is provided on the next pages, along with a map. Reference is also made to the background synopsis of inherent marketability of the subject property, explained in the Highest and Best Use section of this report. That section presents a foundation for the Income Approach, analyzing marketability of various market segments.

Lease Comparison Map



OFFICE BUILDING LEASE COMPARISON 1

Location/Project Name: 15020, 15030, 15150 North Hayden Road, Scottsdale
"Scottsdale Airpark Corporate Center"

Building Size/Year Built: 97,230 s.f. / 1987

Improvement Features: Three, two story concrete tilt up office buildings, two elevators, 4.21 per 1,000 parking ratio, covered parking, open parking, well landscaped and maintained.

Occupancy/Type of Lease: 98% / Full Service

Asking Lease Rate: $20.50/s.f. Full Service

Typical Lease: 3 to 5 year lease at $20.50/s.f. Full Service, tenant improvement allowance is $2.00/s.f. per year of lease term, $.50/s.f. rate increases, base year expense $7.31/s.f., load factor ranges from 5% to 15%, all terms are negotiable.

Confirmation: Tim Watters, CB Richard Ellis, 602-735-1718.

Comments: Good quality multiple tenant office building.

OFFICE BUILDING LEASE COMPARISON 2

Location/Project Name:	14201 North 87th Street, Scottsdale "Northsight 101"
Building Size/Year Built:	19,044 s.f. / 2004 (under construction)
Improvement Features:	Three single story frame and block office buildings, with tile roof and built up roof, covered parking, new construction.
Occupancy/Type of Lease:	45-50% Net
Asking Lease Rate:	$19.00/s.f. Net
Typical Lease:	3-10 year lease at $19.00/s.f. Net, All suites are built out with a $35.00/s.f. tenant improvement allowance. 3-4% increases per year, expenses unknown, load factor minimal if any, all terms are negotiable.
Confirmation:	Jami Looney, Building Equity Partners, 602-312-7120

Comments: This property consists of 4 buildings A, B, C, D. Building A has sold. Buildings B,C, and D have been approximately 50% leased during construction. The total square footage of all four buildings in this project is 25,392/s.f. Each building has the same square footage of 6,348/s.f. Anticipated completion of this project is in the month of March 2004.

OFFICE BUILDING LEASE COMPARISON 3

Location/Project Name: 13860 North Northsight, Scottsdale

Building Size/Year Built: 8,455 s.f. / 2003

Improvement Features: One single story frame construction with stone exterior office building, tile roof, 16 covered parking spaces, 3.98 per 1,000 parking ratio, new construction.

Occupancy/Type of Lease: 0% /Net

Asking Lease Rate: $19.00/s.f. Net

Typical Lease: 3-5-year lease, at $19.00/s.f., Net, tenant improvements have already been built out at a cost to the owner of $40.00/s.f., lease rate increases anticipated but undetermined, operating expenses approximately $6.00/s.f., no load factor, all terms are negotiable.

Confirmation: Derek, DKS, 480-778-1784.

Comments: This building is part of a large condominium project comprising of four buildings, which have been sold to owner users and investors.

<u>OFFICE BUILDING LEASE COMPARISON 4</u>

Location/Project Name:	14631 North Scottsdale Road, Scottsdale Former Discount Tire Building
Building Size/Year Built:	37,838/s.f. / 1985
Improvement Features:	One two story steel frame and block office building with glass and stucco exterior, built up roof, metal roof trim, 125 covered parking spaces, 4.5 per 1,000 parking ratio, well landscaped and maintained.
Occupancy/Type of Lease:	25% /Full Service
Asking Lease Rate:	$22.00/s.f. Full Service
Typical Lease:	3-5-year lease, at $22.00/s.f. Full Service, tenant improvement allowance is negotiable, increases in lease rate negotiable ($1.50 increase in 5th year), load factor under 10%, expenses will range between $6 and $7 per square foot, $30.00 per month for covered parking.
Confirmation:	Jim Watkins, Lee & Associates, 602-954-3760

Comments: This building in its initial lease up term, after being vacated by Discount Tire, who had occupied it as their corporate headquarters for 17 years. It is now marketed for multiple tenant occupancy.

The leased properties described on the preceding pages are summarized below.

No.	Location	Project Size (S.F.)	Year Built	Lease Rate/ S.F./Yr.	Lease Type
1	15020 Hayden Road	97,230	1987	$20.50	Full Serv.
2	14201 87th Street	6,348	New	$19.00	Net
3	13860 Northsight Blvd.	8,455	New	$19.00	Net
4	14631 Scottsdale Road	37,838	1985	$22.00	Full Serv.
Subject Property		13,246	2000		

The primary comparison properties are located within the local Scottsdale Airpark business park area, within a two-mile radius of the subject property. Each of the projects accommodates office space, with various spaces in each project built out to accommodate office space. The typical building projects accommodate office users. Tenants may fully occupy the small structures and occupy portions of the buildings for comparisons 1 and 4.

Within this segment of the appraisal, the property is analyzed under the most reasonably anticipated scenario of highest and best use, involving conversion of the building to an alternative office use, possible eventual expansion of the building area on this site, to effectively utilize the entire parcel, if the existing high intensity parking ratio is not a user requirement. The property is analyzed “as is” without examining potential cost of building modification.

In general, the prevailing level of lease rates in this area typically range from approximately $15.00-$20.00/s.f./year, on a net basis, and $18.00 to $26.00/s.f./year on a full service basis. Operating expenses are typically $6.00 - $8.00/s.f./year, which explains this difference. The full service rates in comparisons 1 and 4 are adjusted downward by approximately $6.00 - $7.00/s.f. to provide an equivalent net lease rate.

The subject property is specifically to be of equal or superior quality and marketability compared to many of the lease comparisons, because of the building appearance and features. The commercial exposure of comparisons 1 and 4 are superior, however the subject property benefits from freestanding identity, as a desirable feature. An additional premium feature of the subject property is the higher parking ratio, at 7 spaces per 1,000 s.f. of building area, which permits a higher labor intensive use. This is superior to the comparisons, which typically have parking ratios of 5:1,000.

Based on my analysis of the competitive market rates in the vicinity of the subject property, it is my considered opinion that the market lease rate applicable to the subject property is approximately $18.00/s.f./year, on a net basis. This can be achieved if a tenant improvement allowance of $10.00 - $15.00/s.f. is offered to a tenant, to modify the interior to suit their needs. This cost is deducted at the end of the analysis. When this lease rate is applied to the building area of the subject property, at 13,246 s.f., the indicated annual revenue is $238,428.

Additional Revenue

Additional revenue for a property such as the subject property, is often derived from tenant contribution to operating expenses, beyond the amount of the base lease rental payment. In the case of the subject property, it is assumed to be leased on a net basis, in which additional charges are made to each tenant for contribution of operating expenses, referred to as Common Area Maintenance (CAM), or “net charges”. Additional revenue in commercial projects may also be derived from parking, vending, and other miscellaneous revenues. These are not applicable to the subject property.

Vacancy and Collection Loss

The vacancy and collection loss estimate is based on review of the actual operating history of the subject property, along with analysis of current vacancy levels derived from activity in the subject's local sub-market area.

The subject property is currently owner occupied. Our prior comments within this section of the report, via analysis of the lease rate data specifically surveyed, and prior information presented in the Location section, and in the Highest and Best Use section of this report, indicates general stability in the local market, with some softening in occupancy over the past year. Office vacancy in the northeast submarket area, as reported by the Arizona Real Estate Center as of Second Quarter, 2003 was at an average of 22%. Information specifically derived from our survey of lease rates indicates a range in vacancy from 0%-50%. Vacancy levels in small to moderate sized freestanding, single use buildings, are relatively low.

It is appropriate to consider a specific provision for a collection loss, due to occasionally delinquent tenant rent payments. In most cases, lease security deposits are in place to cover at least one month's rental amount. The initial tenants in the subject property have varying levels of financial stability, therefore some possibility exists that a limited number of collection problems may occur over an extended period of time. This factor is not considered more that a .5-1% impact on overall collections in the long run.

Considering the current occupancy commitment in the subject property, general overall occupancy levels in this local market area, and a small provision for a collection loss, an 15% vacancy factor is considered appropriate for the subject property within this analysis.

Operating Expenses

No operating expense information for the subject property was available from the owner. Property tax information was not available from public record sources, because the property has been exempt from tax payments. The amount of operating expenses is estimated based on known cost figures associated with other projects of its type. A composite summary is included in the following chart. The individual expense categories are discussed following the chart.

OPERATING EXPENSE ANALYSIS
8230 EAST BUTERUS DRIVE – 13,246 S.F.

Expense Category	Actual 2003 $ & $/S.F.		Appraiser's Projection $ & $/S.F.	
Maintenance	---	($0.00)	$ 6,600	($0.50)
Management	-0-	($0.00)	$ 4,000	($0.30)
Property Taxes	-0-	($0.00)	$33,000	($2.50)
Insurance	---	($0.00)	$ 4,000	($0.30)
Capital Reserves	---	---	$ 2,700	($0.20)

Maintenance: This expense category includes costs associated with day to day upkeep of the property, utilizing both staff hired by the management company and contract personnel. In this case, involving a single user, the maintenance responsibilities are relatively low, as the individual user handles most of the routine maintenance items themselves. A figure of approximately $6,600, which is equivalent to $0.50/s.f., is appropriate for the subject property.

Utilities and Trash: This expense category covers all utility expenses in operating the property, for common area utilities, plus water consumption and trash dumpster pickup. In this particular case, involving a single user property, the tenant would pay for these services directly. This is not an itemized expense within this analysis.

Management: Management services are typically calculated either based on a flat rate percentage of gross income, or based on actual costs associate with salaries and services of a full time staff. The owner reports no management expense, as he handles this function himself. For the purposes of this analysis, it is appropriate to consider the services of an outside management company. Management fees in a building such as this are often calculated based on 2-5% of effective gross rental income. A 2% fee of rental revenue is considered applicable here, considering the concept of single tenant status of the property, and low intensity of management.

Property Taxes: A discussion regarding property tax liability was presented in the Site Description Section of this report, on page 53. The property is exempt from property tax payment, because of public ownership. It is analyzed as if the exemption does not exist. A property tax amount of $33,000 is considered appropriate.

Casualty Insurance: No specific information involving insurance was provided to the appraiser. Typical commercial insurance rates for commercial buildings are at rates equivalent to approximately $0.30/s.f./year. A total figure equivalent to this, totaling approximately $4,000 is utilized for the subject property.

Capital Improvement Reserves: This category is essentially a sinking fund established to cover the cost of infrequent repair items, such as roof repairs, mechanical equipment replacement, painting, parking lot repair, etc. The subject property will periodically need replacement/repair on some of these major components, which will be minimal in the initial years of operation. A prudent reserve allowance is estimated to be $.20/s.f., which results in a total annual allowance of approximately $2,700.

In the case of the subject property, leased on a net basis, a majority of the property operating expenses are absorbed directly by the tenant. The owner is responsible for expenses associated with property management, and capital improvement reserves.

Proforma Operating Statement

A proforma operating statement, indicating the derivation of market supported net operating income, is below.

PROFORMA OPERATING STATEMENT

Potential Rental Income		$238,428
Less: 15% Vacancy & Collection Loss Allowance		$ 35,764
Effective Gross Income		$202,664
Less Operating Expenses:		
Management	$4,000	
Capital Reserves	$2,700	
Total Expenses		$ 6,700
Net Operating Income		$195,964

Value Estimate - Direct Capitalization Method:

Estimation of value via the Direct Capitalization method is a process where a single year's net income expectancy is converted into a value conclusion in one direct step by the use of a capitalization rate. This rate is principally derived from an analysis of the relationship between the sales price and net income of income producing properties, which have sold recently. Despite different building sizes and types, and despite absence or presence of particular amenities, the same type of knowledgeable investors are conceptually involved with each sale. A purchase is made to receive the right of future benefits, (i.e., cash flow), and assuming the quality and risk associated with the benefits are similar, correlation of the capitalization rates discovered can be made and applied to the subject.

No specific capitalization rate information was derived from the sales included in the Sales Comparison Approach. Alternatively, other sale properties demonstrate capitalization rates in a general range of .075-.12, with .08-.095 being common in the current market. These overall rates reflect investor perception of varying risk associated with the sales, and in this case demonstrate a general level of consistency. In the case of the subject property, the gross income projection has been made based on projected revenue. The subject property has been owner occupied, in an area of strong tenant occupancy in competitive local freestanding moderate sized properties. It has good location characteristics, and is assumed to be marketed with a tenant improvement allowance. This combination allows for consideration of a moderate capitalization rate.

After reviewing the rates indicated, details of the transactions from which the capitalization rates were derived, and market supported lease rates in the subject property, a rate of .09 is considered applicable as a capitalization rate for the subject property.

An alternative method of deriving an applicable capitalization rate is the Band of Investment method, in which the primary components of a capitalization rate are analyzed and calculated in a formula. Today's real estate investors are cash flow oriented, which has changed in recent years because of new tax laws and declining influence of tax benefits. Cash on cash returns, also called the equity dividend rate (Re), of 8 to 12 percent are generally required based on stabilized net operating income. Equity requirements within that range, coupled with yield requirements of mortgages on stabilized properties, results in a valid indication of overall capitalization rate (Ro) using the band of investment formula:

$$Ro = (M \times Rm) + [(1 - M) \times Re]$$

Currently, lenders are considering 75% mortgages at 6.5% to 9.0%, amortized over 25 years for commercial properties. The appropriate loan constant (Rm) at 7.0% is, therefore, .0848. A 10% equity dividend rate is considered appropriate to properties such as the subject.

The overall rate (Ro) therefore becomes:

$$
\begin{aligned}
Ro &= .75 \times .0848 + .25 \times .10 \\
&= .0636 + .25 \\
&= .089
\end{aligned}
$$

This figure is supportive of the previous conclusion of a .09 rate via direct capitalization derivation. The .09 capitalization rate is applied to the estimated net income, indicating the following property value:

$$
\frac{\text{Net Income}}{\text{Capitalization Rate}} \quad \frac{\$195{,}964}{.09} = \$2{,}177{,}378
$$

Rounded to: $2,180,000

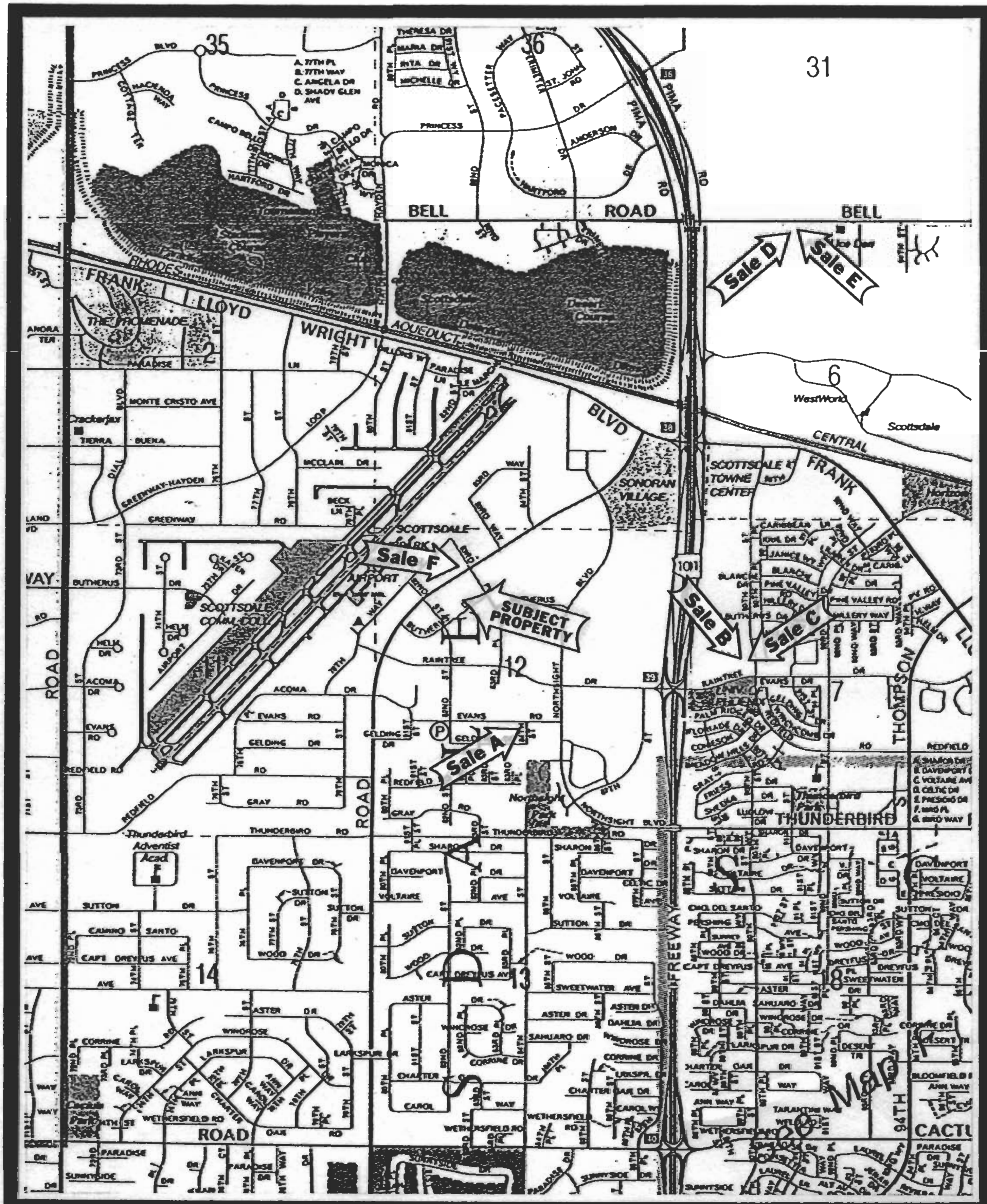
As previously explained, the valuation scenario presented here involves potential lease of the building, for a general office use, rather than specifically as a public sector court facility, as this represents the most probable long term scenario for the property. Under this circumstance, it is appropriate to offer a tenant improvement package to a typical user, which is common for this type of property. This cost, estimated at $12.00/s.f., totaling approximately $160,000, is deducted from the preceding value indication. This results in a value conclusion via the Income Approach at $2,020,000 ($2,180,000 - $160,000).

SALES COMPARISON APPROACH

The Sales Comparison Approach is a direct sales comparison technique, based on the premise that properties such as the subject are replaceable in the market, with value related to cost of acquiring an equally desirable replacement property, if no cost or other delay is encountered in making the substitution. This approach is dependent on the availability of verifiable, comparative sale data, which are not unduly influenced by non-typical market conditions.

A search of the public records and discussions with knowledgeable realtors has revealed sales of existing improved properties which are used as a guide in estimating value for the subject as improved. These sales are useful in extracting the applicable unit of comparison, the package price. These sales are outlined and analyzed on the following pages.

Improved Sales Map



IMPROVED OFFICE SALE COMPARISON A

Identification:

Type:	Office Building (8,614 s.f.)
Location:	8383 East Evans Road, Scottsdale
Assessor Parcel Number:	215-54-078
Legal Description:	Lot 1 Scottsdale Garden Industrial Park.

Transaction Data:

Date of Sale:	2/03
Grantor:	Denali National Trust, Inc.
Grantee:	MBA Insurance Agency of Arizona
Price:	$1,400,000
Price Per Unit:	$162.53/s.f.
Terms:	Cash to Seller, Buyer paid $280,000 and financed $1,120,000 with Merrill Lynch Business Financial
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed /03-0387009
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known arms length transactions in the past three years.
Marketing Time:	2 months
Confirmation:	Jim Keeley, Colliers Classic Real Estate Corporation, 480-596-9000

Site Data:

Size:	.599 acres = 26,070 s.f.
Topography:	Level
Zoning:	I-G Scottsdale
Utilities:	All public available.
Visibility:	Average
Highest and Best Use:	Commercial use

Improvement Data:

Leasable Building Area:	8,614 s.f.
Vacancy at Sale:	0%
Parking Spaces:	23 spaces (2.67/1,000)
Year Built:	1988
Construction Type:	One single story concrete block and glass office building with built up roof and composition shingle roof, open and covered parking, well landscaped and maintained.
Condition:	Good

Income/Analytical Data:

Package Price Per S.F.:	$162.53/s.f.

Comments: None

8383 EAST EVANS ROAD, SCOTTSDALE, ARIZONA

IMPROVED SALE COMPARISON B

Identification:

Type:	Office Building (12,104 s.f.)
Location:	8930 East Raintree Drive, Scottsdale
Assessor Parcel Number:	217-15-948
Legal Description:	Unit 8930 The Offices at Raintree Corporate Center.

Transaction Data:

Date of Sale:	2/03
Grantor:	Airpark Technology Suites, LLC
Grantee:	Ok Ja Lee
Price:	$2,265,000
Price Per Unit:	$187.13/s.f
Terms:	Cash to seller; buyer paid $765,000 down and financed $1,500,000 with Mortgages Limited.
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed / 03-0236796
Property Rights Conveyed:	Leased Fee Estate
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known arms length transactions in the past three years.
Marketing Time:	6 months
Confirmation:	William Schuckert, Edge Real Estate Services, 480-922-0460

Site Data:

Size:	part of an existing condominium project of 9.426 acres.
Topography:	Level
Zoning:	C-2, Scottsdale
Utilities:	All public available.
Visibility:	Average
Highest and Best Use:	Commercial use

Improvement Data:

Leasable Building Area:	12,104 s.f.
Vacancy at Sale:	35%
Parking Spaces:	12 spaces (.99/1,000)
Year Built:	1999
Construction Type:	One single-story concrete block and brick office building with built up roof, 12 covered parking spaces, well landscaped and maintained.
Condition:	Good

Income/Analytical Data:

Average Lease Rate:	23.00/s.f. full service
Vacancy Factor:	35%
Package Price Per S.F.:	$187.13/s.f.

Comments: The seller had the interior improvements completed in this building, so that there was no shell space available. The broker indicated that the tenant improvements were above average and, the buyer purchased this property with the purpose of occupying a portion of the vacant space and leasing the remainder.

8930 EAST RAINTREE DRIVE, SCOTTSDALE, ARIZONA

IMPROVED OFFICE SALE COMPARISON C

Identification:

Type:	Office Building (7,477 s.f.)
Location:	8950 East Raintree Drive, Scottsdale
Assessor Parcel Number:	217-15-950
Legal Description:	Unit 8950 The Offices at Raintree Corporate Center Condominium

Transaction Data:

Date of Sale:	12/02
Grantor:	Raintree 8950 Associates, LLC
Grantee:	EWC 8950 Raintree, LLC
Price:	$1,450,000
Price Per Unit:	$193.93/s.f.
Terms:	Cash to Seller; Buyer paid $217,500 down and financed $1,232,500 with Sunrise Bank of Arizona.
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed /02-1400095
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known arms length transactions in the past three years.
Marketing Time:	Not on the market
Confirmation:	Phil Dawson, Dawson Commercial, 480-860-6200

Site Data:

Size:	Part of an existing condominium project of 9.426 acres.
Topography:	Level
Zoning:	C-2, Scottsdale
Utilities:	All public available.
Visibility:	Average
Highest and Best Use:	Commercial use

Improvement Data:

Leasable Building Area:	7,477 s.f.
Vacancy at Sale:	0%
Parking Spaces:	8 spaces (1.07/1,000)
Year Built:	1999
Construction Type:	One single story concrete block office building with built up roof, 8 covered parking spaces, well maintained and landscaped.
Condition:	Good

Income/Analytical Data:

Package Price Per S.F.:	$193.93/s.f.

Comments: The seller was an owner user and the buyer will also be a owner user.

8950 EAST RAINTREE DRIVE, SCOTTSDALE, ARIZONA

IMPROVED SALE COMPARISON D

Identification:

Type:	Office Building (7,364 s.f.)
Location:	9155 East Bell Road, Scottsdale
Assessor Parcel Number:	217-13-299
Legal Description:	Unit 1 Building C Youth Family Art Center

Transaction Data:

Date of Sale:	12/02
Grantor:	LGE Corporation
Grantee:	Rejuvent Properties
Price:	$1,126,692
Price Per Unit:	$153.00/s.f.
Terms:	Cash to Seller. Buyer paid $290,000 down, and financed with a construction loan $1,710,060 with Wells Fargo Bank and $717,000 with Business Development, terms not revealed.
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed / 02-1393919
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known arms length transactions in the past three years.
Marketing Time:	2 months
Confirmation:	Steve Bodeman, Daum Commercial Industrial Real Estate, 602-957-7300

Site Data:

Size:	part of a condominium project
Topography:	Level
Zoning:	I-1, Scottsdale
Utilities:	All public available.
Visibility:	Average
Highest and Best Use:	Business Park use

Improvement Data:

Gross Building Area:	7,364 s.f.
Vacancy at Sale:	100%
Parking Spaces:	In Common
Year Built:	2002
Construction Type:	One single-story concrete block office building with built up roof, well maintained and landscaped
Condition:	New

Income/Analytical Data:

Package Price Per S.F.:	$153.00/s.f.

Comments: This property is sold as a shell building with no tenant improvements. The owner is a physician who has built out his own tenant improvements.

9155 EAST BELL ROAD, SCOTTSDALE, ARIZONA

IMPROVED SALE COMPARISON E

Identification:

Type:	Office Building (9,700 s.f.)
Location:	9153 East Bell Road, Scottsdale
Assessor Parcel Number:	217-13-298
Legal Description:	Unit 1 Building B Condominium Flat for Youth Family Art Center

Transaction Data:

Date of Sale:	9/02
Grantor:	LGE Corporation
Grantee:	Jordan Wesley, LLC
Price:	$1,776,334
Price Per Unit:	$182.75/s.f.
Terms:	Cash to Seller. Buyer paid $120,034 down, and financed $1,656,300 with Zion First National Bank, terms not revealed.
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed / 02-0938330
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	No known arms length transactions in the past three years.
Marketing Time:	Not on the market
Confirmation:	Steve Bodeman, Daum Commercial Industrial Real Estate, 602-957-7300

Site Data:

Size:	part of a condominium project
Topography:	Level
Zoning:	I-1, Scottsdale
Utilities:	All public available.
Visibility:	Average
Highest and Best Use:	Business Park use

Improvement Data:

Gross Building Area:	9,700 s.f.
Vacancy at Sale:	100%
Parking Spaces:	In Common
Year Built:	2002
Construction Type:	One single-story concrete block office building with built up roof, well maintained and landscaped
Condition:	New

Income/Analytical Data:

Package Price Per S.F.:	$182.75/s.f.

Comments: This property was a pre-sold package build to suit, which included interior improvements.

9153 EAST BELL ROAD, SCOTTSDALE, ARIZONA

IMPROVED OFFICE SALE COMPARISON F

Identification:

Type:	Office Building (7,250 s.f.)
Location:	15190 North Hayden Road, Scottsdale
Assessor Parcel Number:	215-55-070
Legal Description:	Lot 1 Scottsdale Airpark Corporate Center

Transaction Data:

Date of Sale:	5/02
Grantor:	Credit Advisors, Inc.
Grantee:	CLG Investments, LLC
Price:	$1,375,000
Price Per Unit:	$189.66/s.f.
Terms:	Cash to Seller; Buyer paid $550,000 down and financed $825,000 with M&I Marshall and Ilsley.
Cash Equivalency Price:	N/A
Adjusted Price Per Unit:	N/A
Instrument Type/Number:	Deed /02-0487802
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arms Length Transaction
Prior Sales:	The seller purchased this property on 4/2001 for $1,300,000, Instrument No. 01-298908. This sale has not been confirmed by the appraiser. The seller never occupied the property. No known additional arms length transactions in the past three years.
Marketing Time:	6 months
Confirmation:	Tyler Lupton, Cutler Commercial, 602-955-3500

Site Data:

Size:	1.082 acres = 47,132 s.f.
Topography:	Level
Zoning:	I-1, Scottsdale
Utilities:	All public available.
Visibility:	Average
Highest and Best Use:	Commercial use

Improvement Data:

Leasable Building Area:	7,250 s.f.
Vacancy at Sale:	100%
Parking Spaces:	40 spaces (5.52/1,000)
Year Built:	1987
Construction Type:	One single story concrete block office building with built up roof, well maintained and landscaped.
Condition:	Good

Income/Analytical Data:

Package Price Per S.F.:	$189.66/s.f.

Comments: The building was vacant at the time of sale. It had previously been used as an insurance office and claims center. The buyer has converted this building to a bank branch known as “Choice Bank”.

15190 NORTH HAYDEN ROAD, SCOTTSDALE, ARIZONA

Sales Discussion

The sales outlined on the preceding pages are summarized below:

Sale	Date	Price	Rentable Size (S. F.)	Price/S.F.
A	2/03	$1,400,000	8,614	$162.53
B	2/03	$2,265,000	12,104	$187.13
C	12/02	$1,450,000	7,477	$193.93
D	12/02	$1,126,692	7,364	$153.00
E	9/02	$1,776,334	9,700	$182.75
F	5/02	$1,375,000	7,250	$189.66
Subject			13,246	

The sales utilized in this analysis have been analyzed based on the price per square foot of building area, recognizing differentials associated with location, improvement characteristics, income-producing potential, etc. Our investigation of building sales activity targeted good quality office buildings, in the local sub-market area of the subject property, which is the business park areas of north Scottsdale. Our investigation revealed a significant amount of sales activity which meets this criteria.

Adjustments to the indicated package prices are made based on potential influence of the following factors:

A. Property rights conveyed.
B. Market conditions.
C. Financial terms/cash equivalency.
D. Conditions of sale.
E. Location.
F. Physical characteristics.
G. Income potential.
H. Other property characteristics.

Property Rights Conveyed:

Each of the sales involved the transfer of fee simple interest. The subject property is analyzed without the assumption of a lease in place. The subject property is suitable for sale to an owner/user anticipating partial or full occupancy, or could be sold to an investor who plans eventual occupancy of the building with a new tenant. No adjustments are appropriate.

Market Conditions:

The sale transactions have occurred within the past year and a half. This has been a sluggish economic time period in which investor perception of market activity has become increasingly more conservative, as vacancy rates have risen, and economic conditions remain sluggish. However an active market for small to medium sized office use properties exists, particularly in this submarket area. This prevailing level of marketing conditions has been generally consistent during the time period of the transactions. No adjustments are appropriate.

Financing Terms/Cash Equivalency:

Each of the transactions is analyzed to determine if financing associated with the sales created a favorable or unfavorable negotiating position for either party, such as by comparing financing terms to market rate terms which may be offered by financial institutions as an alternative to a cash transaction. In this analysis, all of the sales involve cash transactions or market rate financing. No cash equivalency adjustments were considered necessary.

Conditions of Sale:

The motivations of buyers and sellers are analyzed to determine if the transactions occurred under atypical conditions. It has been a noted characteristic of the current marketplace that some properties have been sold by lienholder entities who have acquired them through foreclosure, then resold at favorable prices. This type of transaction now has a declining influence on the current marketplace, because the inventory of this type of property is near depleted. These properties were previously offered at aggressively low prices to sell quickly; this has not necessarily been a tactic with the most recent sales, as market demand has allowed for more progressive marketing approaches. The sales in this analysis were not known to be impacted by this or other unusual factors, therefore, no adjustment is applicable.

Location:

The subject property is located in the Scottsdale Airpark business community area, in north Scottsdale. This is a very active and dynamic business community, which is considered one of the premier locations for various types of businesses, compared to other locations throughout the metropolitan area. It has experienced some of the economic fluctuations which are shared by the metropolitan area in general, however it has maintained some of the highest levels of lease rates, and building sale prices, compared to other submarket areas. The subject property is in the east portion of the business park community, in a business park area characterized by a mixture of industrial, commercial, office and retail uses. No significant negative influences exist. The location is generally similar to that of most of the comparison properties, however it does not have the exposure from a major street, of some of the other sales, such as Sale F, and to a lesser degree for Sales B and D. The exposure characteristics of these sales warrant slight downward adjustment of unit price.

Improvement Age, Condition, and Appeal:

The subject property is a free standing building, built out for office and courtroom space. The building was substantially completed in the year 2000, after a substantial building expansion at that time, and renovation of the older portion of the improvements. It has been well maintained. This is slightly inferior to buildings that are constructed within the past year. It is anticipated that a user of the property would modify the interior to accommodate a typical office use, at an anticipated expenditure of approximately $10 - $15/s.f. This again is slightly inferior to buildings which have been sold with a turnkey improvement package in place. This was the case with Sales B, C, and E. Alternatively, Sale D was sold as a office building shell, where the interior improvement package is likely to be more expensive than that which is required to modify the subject property. Sales A and F are older structures, considered inferior to the subject property, particularly Sale F, because of anticipated building modification requirements. Appropriate adjustments are made.

Parking:

The subject property has a high intensity of parking, offering a parking ratio of 7:1,000. This is higher than that which is typical for the comparison properties, except for Sale F, which are typically at approximately 5:1,000. A slight adjustment for this factor is made.

Additional Factors:

A variety of additional property characteristics which offer differences between the subject property, and the sales have been noted. A majority of these are relatively subtle, and do not lead to significant adjustment of the unit pricing.

Specific Adjustments:

The following chart summarizes the adjustments to the transaction information, leading to a conclusion of value.

SALES ADJUSTMENT CHART

	SUBJECT	SALE A	SALE B	SALE C	SALE D	SALE E	SALE F
Sale Price/S.F.	**---**	***$162.53***	***$187.13***	***$193.93***	***$153.00***	***$182.75***	***$189.66***
Property Rights	Fee	Fee -0-	Fee -0-	Fee -0-	Fee -0-	Fee -0-	Fee -0-
Market Conditions	Typical	2/03 -0-	2/03 -0-	12/02 -0-	12/02 -0-	9/02 -0-	5/02 -0-
Financing	Typical	New Loan -0-	New Loan -0-	New Loan -0-	New Loan -0-	Cash -0-	New Loan -0-
Conditions of Sale	Typical	Typical -0-	Typical -0-	Typical -0-	Typical -0-	Typical -0-	Typical -0-
Net Adjustments		-0-	-0-	-0-	-0-	-0-	-0-
Adjusted Sale Price/S.F.		***$162.53***	***$187.13***	***$193.93***	***$153.00***	***$182.75***	***$189.66***
Location/Exposure	Average	Similar -0-	Superior -5%	Superior -5%	Superior -5%	Superior -5%	Superior -20%
Improvement Age & Features	Average	Inferior +5%	Superior -15%	Superior -15%	Inferior +5%	Similar -15%	Inferior +10%
Parking	Intense	Inferior +5%	Inferior +5%	Inferior +5%	Inferior +5%	Inferior +5%	Similar -0-
Net Adjustments	---	+10%	-15%	-15%	+5%	-15%	-10%
Final Adjusted Price/S.F.	**---**	***$178.78***	***$159.06***	***$164.84***	***$160.65***	***$155.34***	***$170.69***

The unadjusted sales range in unit price between $153.00 and $189.66/s.f. After adjustments, the indicated value range in unit price is between $155.34 and $178.78/s.f. With all factors considered, a unit price of $165.00/s.f. is considered appropriate. When this unit price is applied to the building area of the subject property, at 13,246 s.f., the indicated overall value is $2,185,590, rounded to $2,185,000.

RECONCILIATION OF THE ESTIMATES

The value conclusions indicated by the three approaches to value utilized in this report, are as follows:

Cost Approach	$ 2,620,000
Income Approach	$ 2,180,000
Sales Comparison Approach	$ 2,185,000

The reconciliation process involves an evaluation of the strengths and weaknesses of the approaches utilized to derive the value estimates indicated above. The merits of each valuation approach with respect to the particular nature of the subject property are recognized. This check and balance type process examines each of the value conclusions from the independently derived approaches, based on consistency, reasonableness, and reliability. The end result is a single value conclusion based on a single set of circumstances.

The Income Approach conclusion is often perceived as one of the strongest indications of value when analyzing an income producing property, and it is considered among the best reflections of the actions of a prudent knowledgeable investor when analyzing a property based on anticipated income flow and the relationship to return on investment. The gross potential income of the property has been estimated based on analysis of competitive property lease rates. Other factors such as a projected long-term vacancy level and operating expenses have been derived from reliable sources, therefore, the accuracy of the information is considered good, and the current stabilized net income estimate has been determined. The appropriate capitalization rate was derived based on a direct comparison method, as well as a formula derivation by the Band of Investment method. The capitalization rate was applied to the net operating income to indicate a value estimate. An adjustment was made for the cost of tenant improvements, to attract a prospective tenant. In this particular case, this approach has only a moderate degree of reliability, as it ignores the additional value potential that a perspective owner/user may see in the property, knowing that current prevailing values are significantly below reproduction costs, and that a buyer who can utilize all or a significant part of the property does not necessarily evaluate the property based on a cash flow/return on investment perspective.

The analysis by the Cost Approach utilized an estimate of market value for the vacant site based on comparison to sales in the competitive market area of the subject property. Direct and indirect cost figures were derived primarily from cost figures in a cost report publication, and other sources such costs from recent office construction projects. Within this cost analysis, we have made provision for deductions based on the impact of physical depreciation and some function obsolescence. The impact of the depreciation factors is difficult to objectively measure, therefore subject to a degree of uncertainty. The conclusion of this report is less reliable than that of the other conclusions to value.

The Sales Comparison Approach utilized a direct sales comparison technique in which sales of existing projects with varying levels of similarity to the subject property, were analyzed with respect to the subject property. Adjustments to the sales were made based on general differences in location, various physical features, and other attributes. This approach is particularly applicable in this case, because of the primary marketability of the property to an owner/user.

VALUE CONCLUSION

Based on the facts and analysis presented, it is my considered opinion that estimated market value of the subject property, as improved, was:

TWO MILLION ONE HUNDRED EIGHT FIVE THOUSAND DOLLARS
($2,185,000)

The value analysis and conclusions herein are subject to the Limiting and Contingent Conditions included in this report, as well as any assumptions herein.

Steven E. Nagy, MAI
Arizona Certified General Appraiser 30136

CERTIFICATION

I certify that, to the best of my knowledge and belief,

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification, except as noted in the opening letter of this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Steven E. Nagy, MAI

A D D E N D A

COMPANY PROFILE

APPRAISERS QUALIFICATIONS

COMPANY PROFILE
NAGY PROPERTY CONSULTANTS, INC.

Nagy Property Consultants, Inc. is a real estate appraisal and consulting firm in Phoenix, Arizona, which assists in the real estate and lending decision process of banks, life insurance companies, mortgage brokers, owners, asset managers, pension fund advisors, attorneys, tenants, etc., regarding valuation and analysis of a wide spectrum of properties. The specific scope of services includes:

Real Estate Appraisal
Expert Witness Testimony
Highest and Best Use Analysis
Project Marketability Analysis
Real Estate Appraisal Review

Areas of Expertise:

Apartments	Vacant Land
Office Buildings	Subdivision Analysis
Medical Office Buildings	Single Family Residences
Retail Projects	Special Use Properties -
Distribution Industrial Buildings	Auto Centers, Churches, Military Bases,
Office Warehouse Buildings	Hotels, Golf Courses, Mini Storage, RV
	Resort Parks, etc.

Geographic areas principally involve the Phoenix metropolitan area, additional Arizona locations such as Tucson, Flagstaff, Sedona, Prescott, and Payson, plus selected areas of California and Nevada.

Background of the Principal - Steven E. Nagy, MAI, CCIM:

MAI Designated Member, Appraisal Institute
MBA Degree, Arizona State University
CCIM Designated Member, Commercial Investment Real Estate Institute
Arizona Certified General Real Estate Appraiser 30136
Appraisal office in Phoenix, Arizona, since 1977, with a research and appraisal staff utilizing a wide array of information services, and contemporary analytical techniques.

Business Affiliations/Clients:

Local and national major lending institutions operating in Arizona
Real Estate Trust and Pension Fund Advisors
Attorneys - Bankruptcy, Condemnation, Divorce Settlement Property Analysis
A wide variety of local and national real estate development entities
Government agencies and private parties - Condemnation Acquisition Analysis
A specific list of clients served by the appraisers in the firm are listed on the next page.

COMPANY PROFILE
NAGY PROPERTY CONSULTANTS, INC. (Continued)

The following is a partial list of clients served by the firm:

Bank One
Bank of America
Wells Fargo Bank
Chase Bank
M & I Thunderbird Bank
Fleet Bank
KredietBank
Trammel Crow Company
JMB Institutional Realty Corp.
Harris Trust Bank
Aid Association for Lutherans
First National Bank of Chicago
Allstate Insurance Company
ReliaStar (American Mutual) Insurance Co.
Standard Insurance Company
State Farm Insurance Co.
CUNA Mutual Life Insurance
Kansas City Life Insurance
General Electric Financial Assurance
Federal Deposit Insurance Corporation
General Services Administration
City of Phoenix
City of Glendale
City of Scottsdale
Maricopa County Dept. of Transportation
Sundt Corp.
Warner Angle Roper & Hallum
Glover & Van Cott
Tielborg, Sanders & Parks
Dushoff and McCall
Tishman West Management Co.
Discount Tire Co.
Weyerhaeuser Mortgage Co.
United States Department of Agriculture
GPM Life Insurance
Argent Financial Corp.
Northland Financial Co.
Sunrise Mortgage & Investment
Catalina Mortgage
Balcor
Keystone Mortgage Partners
Eberhardt Company
WMF Robert C.Wilson
GMAC Commercial Mortgage
Kenwood Mortgage
Del E. Webb Corp.
American Capital Resources
J.E. Robert Co.
TRI Financial
Money Store Investment Corp.
Auto-Owners Insurance Company
PFC Corporation
CitiBank
Reywest Development Company
Resolution Trust Corporation
Bureau of Land Management
Washington Square Capital
Federal Aviation Administration
City of Tempe
Arizona Department of Transportation
O'Connor Cavanaugh
Phoenix Union High School District
Treon Strick Lucia & Aguirre
Poli & Ball
Fennemore Craig
Gust Rosenfeld
Pinnacle Peak Development Co.
Roadway Express Co.
Big O Tires, Inc.
Trinity Broadcasting Network
General American Life Insurance Co.
Blue Cross/Blue Shield of Arizona

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QUALIFICATIONS OF STEVEN E. NAGY, MAI

General Education

Master of Business Administration Degree, Arizona State University,
Tempe, Arizona, 1977
Bachelor of Arts Degree, Business Administration, Michigan State University,
East Lansing, Michigan, 1976.

Professional Membership/Qualification

MAI Member, Appraisal Institute,
Member Appraisal Institute Designation (1983), currently certified.
Regional Member, Professional Standards Panel.
Certified General Real Estate Appraiser 30136, State of Arizona
CCIM Designated Member, Commercial Investment Real Estate Institute
Phoenix Board of Realtors
Arizona Association of Realtors
Licensed Real Estate Salesman, State of Arizona
Qualified as an Expert Witness in Superior Court of Maricopa County, Arizona,
and United States Federal Bankruptcy Court.

Appraisal Experience

1986 to Present - Principal of Nagy Property Consultants, Inc., Phoenix, Arizona. Specializing in the appraisal and marketability analysis of office, retail, industrial, and apartment properties, plus master planned sites, vacant land, and residences, for lending, development consulting, and litigation support purposes.

1977 to 1986 - Staff Appraiser and Consultant for Ryan and Associates, Inc., Phoenix, Arizona. Appraisal of all types of properties with emphasis on commercial, industrial, and multiple-family income producing properties, plus vacant land and single-family residences.

Appraisal Education

The following is a list of appraisal courses and seminars attended:

Fundamentals of Real Estate Appraisal	Litigation Valuation
Case Studies in Real Estate Valuation	Business Valuation
Income Capitalization	Fair Lending
Statistical Analysis	Uniform Residential Appraisal Report
Real Estate Law	Environmental Factors in Appraisal
Financial Spreadsheet/DCF Analysis	Standards of Professional Practice -A&B
Hotel/Resort Valuation	Geographic Information Systems
RTC/FDIC Regulations	Subdivision Analysis
Water Rights	Americans with Disabilities Act
Low and Moderate Income Housing	Economic Forecast (Annually)
Risk Analysis	